

Financial Statements

Phoenixville Area School District

June 30, 2019

*Rainer
& Company*

A Professional Corporation
Certified Public Accountants

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A Professional Corporation
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INDEPENDENT AUDITORS' REPORT

Board of School Directors
Phoenixville Area School District
Phoenixville, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Phoenixville Area School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Phoenixville Public Library, which represent 1%, and 1%, respectively, of the assets and revenues of the Phoenixville Area School District. Total net position (deficit) for the District was (\$86,399,831) and total net position for the Phoenixville Public Library was \$1,336,618. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Phoenixville Public Library, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Phoenixville Area School District as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

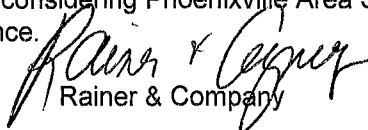
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 13, budgetary comparison information on page 54, the schedule of the District's proportionate share of the net pension liability on page 55, the schedule of District's pension contributions on page 56, the schedule of changes in net OPEB liability and related ratios on page 57, the schedule of the District's proportionate share of the OPEB-PSERS liability on page 58, and the schedule of the District's OPEB-PSERS contributions on page 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2020, on our consideration of Phoenixville Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Phoenixville Area School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Phoenixville Area School District's internal control over financial reporting and compliance.


Rainer & Company

Newtown Square, PA
February 20, 2020

PHOENIXVILLE AREA SCHOOL DISTRICT
Management's Discussion and Analysis
June 30, 2019

The discussion and analysis of Phoenixville Area School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to review the District's financial performance as a whole. Readers should also review the transmittal letter, notes to the financial statements, and the financial statements.

Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement Number 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments issued June 1999. Comparative information between the current year and the prior year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

- In the budgeting process, the Board of School Directors was able to balance the budget with only a .94 mill increase (\$.94 per \$1,000 of assessed value) to the taxpayers.
- The District's unassigned fund balance (including nonspendable fund balance) for the General Fund is \$6,146,163 (6.7% of budgeted expenditures), which is just under the state maximum. The district also has committed \$343,000 of fund balance for future PSERS obligations and assigned \$1,127,025 for future health claims. These factors are a major reason why the District has an Aa2 (Moody's) credit rating.
- The District's General Fund revenues increased by \$3,540,364. The increase was due to the increase in property taxes and state subsidies for retirement benefits.
- Compared to the prior year, the District's expenditures (General Fund) increased by \$1,835,274, an increase of 2.03%.
- Transfers to the library were \$567,305.

OVERVIEW OF FINANCIAL STATEMENTS

The accompanying financial statements have been prepared in accordance with GASB Statement Number 34 and present both government-wide and fund level financial statements using both the accrual basis and modified accrual basis of accounting, respectively.

Government-Wide Financial Statements

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

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position Deficit 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.

PHOENIXVILLE AREA SCHOOL DISTRICT
Management's Discussion and Analysis
June 30, 2019

Government-Wide Financial Statements (Continued)

The two government-wide statements report the District's net position and how they have changed. Net position, the difference between the District's assets and liabilities, is one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net position are an indication of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the District, you need to consider additional non-financial factors, such as changes in the District's property tax base and the performance of the students.

The government-wide financial statements of the District are divided into two categories:

- **Governmental Activities** - All of the District's basic services are included here, such as instruction, administration and community services. Property taxes and state and federal subsidies and grants finance most of these activities.
- **Business-Type Activities** - The District operates a food service operation and charges fees to staff and students to cover the costs of the food service operation.

Fund Level Financial Statements

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

- **Governmental Funds** - Most of the District'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 fund statements provide a detailed short-term view of the District's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position Deficit and the Statement of Activities) and governmental funds is reconciled in the financial statements.
- **Proprietary Funds** - These funds are used to account for District activities that are similar to business operations in the private sector; or where the reporting is focused on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the District charges customers for services it provides - whether to outside customers or to other units in the District - these services are generally reported in proprietary funds. The Food Service Fund is the District's proprietary fund and is the same as the business-type activities we report in the government-wide statements.

PHOENIXVILLE AREA SCHOOL DISTRICT
Management's Discussion and Analysis
June 30, 2019

Fund Level Financial Statements (Continued)

- Fiduciary Funds - The District is the trustee, or fiduciary, for some scholarship funds. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

FINANCIAL ANALYSIS OF THE DISTRICT - GOVERNMENT-WIDE STATEMENTS

The District's total net position deficit was \$86,399,831 at June 30, 2019. The following table presents condensed financial information for the net position deficit of the District as of June 30, 2019 and June 30, 2018.

Schedule of Net Position (Deficit)
For the Years Ended June 30, 2019 and 2018

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|----------------------------|------------------------|-----------------------------|-------------------|------------------------|------------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Current Assets | \$ 28,797,164 | \$ 22,469,322 | \$ 321,844 | \$ 184,652 | \$ 29,119,008 | \$ 22,653,974 |
| Capital Assets | 161,999,628 | 163,357,044 | 346,101 | 369,582 | 162,345,729 | 163,726,626 |
| Deferred Outflows of Resources | 26,628,987 | 29,087,373 | 0 | 0 | 26,628,987 | 29,087,373 |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | 217,425,779 | 214,913,739 | 667,945 | 554,234 | 218,093,724 | 215,467,973 |
| Current Liabilities | 17,665,233 | 16,278,558 | 331,240 | 196,961 | 17,996,473 | 16,475,519 |
| Noncurrent Liabilities | 276,511,983 | 271,469,076 | 0 | 0 | 276,511,983 | 271,469,076 |
| Deferred Inflows of Resources | 9,985,099 | 10,283,450 | 0 | 0 | 9,985,099 | 10,283,450 |
| TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | 304,162,315 | 298,031,084 | 331,240 | 196,961 | 304,493,555 | 298,228,045 |
| Net Position (Deficit): | | | | | | |
| Invested in Capital Assets, Net of Related Debt | 19,582,783 | 18,726,673 | 346,101 | 369,582 | 19,928,884 | 19,096,255 |
| Restricted for: Capital Projects | 5,922,215 | 2,412,534 | 0 | 0 | 5,922,215 | 2,412,534 |
| Unrestricted (Deficit) | (112,241,534) | (104,256,552) | (9,396) | (12,309) | (112,250,930) | (104,268,861) |
| TOTAL NET POSITION (DEFICIT) | \$ (86,736,536) | \$ (83,117,345) | \$ 336,705 | \$ 357,273 | \$ (86,399,831) | \$ (82,760,072) |

The restricted net position in the amount of \$5,922,215 represents funds set aside to fund capital improvements, the replacement of and additions to public works and improvements, and for deferred maintenance.

PHOENIXVILLE AREA SCHOOL DISTRICT
Management's Discussion and Analysis
June 30, 2019

The result of this year's operations as a whole are reported in the Statement of Activities. All expenses are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are represented to determine the final amount of the District's activities that are supported by other general revenues. The largest revenues are property taxes, local taxes and the state basic education subsidy.

The following table presents condensed financial information for the Statement of Activities in a different format to show total revenues for the year. Compared to the prior year, the District's total revenues increased by \$2,489,350. The net increase in revenue in fiscal year 2018-19 compared to fiscal year 2017-18 is primarily due to the increase receipts from business activities. Expenses increased by \$42,439, primarily due to increases in instruction expenses and student activities.

Statement of Activities
For the Years Ended June 30, 2019 and 2018

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|----------------------------|-----------------------|-----------------------------|--------------------|-----------------------|-----------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| REVENUES: | | | | | | |
| Program Services: | | | | | | |
| Charges for Services | \$ 230,773 | \$ 252,393 | \$ 845,690 | \$ 809,919 | \$ 1,076,463 | \$ 1,062,312 |
| Operating Grants and Contributions | 13,991,200 | 14,014,785 | 747,005 | 701,493 | 14,738,205 | 14,716,278 |
| General Revenues: | | | | | | |
| Property Taxes | 61,257,669 | 58,973,426 | 0 | 0 | 61,257,669 | 58,973,426 |
| Other Taxes | 10,885,087 | 10,896,376 | 0 | 0 | 10,885,087 | 10,896,376 |
| Grants, Subsidies and Contributions Not Restricted | 4,883,269 | 4,793,249 | 0 | 0 | 4,883,269 | 4,793,249 |
| Investment Earnings | 861,017 | 338,849 | 2,595 | 1,505 | 863,612 | 340,354 |
| Other Revenue | 435,482 | 868,442 | 0 | 0 | 435,482 | 868,442 |
| TOTAL REVENUES | 92,544,497 | 90,137,520 | 1,595,290 | 1,512,917 | 94,139,787 | 91,650,437 |
| EXPENSES: | | | | | | |
| Instruction | 56,469,691 | 54,236,086 | 0 | 0 | 56,469,691 | 54,236,086 |
| Support Services | 6,892,798 | 6,407,518 | 0 | 0 | 6,892,798 | 6,407,518 |
| Administration and Financial Support Operation and Maintenance of | 7,999,621 | 8,431,323 | 0 | 0 | 7,999,621 | 8,431,323 |
| Plant Services | 7,216,125 | 8,426,396 | 0 | 0 | 7,216,125 | 8,426,396 |
| Pupil Transportation | 4,896,105 | 4,855,895 | 0 | 0 | 4,896,105 | 4,855,895 |
| Student Activities | 2,231,040 | 2,089,076 | 0 | 0 | 2,231,040 | 2,089,076 |
| Community Services | 85,330 | 68,961 | 0 | 0 | 85,330 | 68,961 |
| Interest on Long-Term Debt | 3,773,586 | 4,971,899 | 0 | 0 | 3,773,586 | 4,971,899 |
| Unallocated Depreciation Expense | 6,032,087 | 6,152,942 | 0 | 0 | 6,032,087 | 6,152,942 |
| Food Services | 0 | 0 | 1,640,744 | 1,554,592 | 1,640,744 | 1,554,592 |
| TOTAL EXPENSES | 95,596,383 | 95,640,096 | 1,640,744 | 1,554,592 | 97,237,127 | 97,194,688 |
| Transfers In (Out) | (567,305) | (576,150) | 24,886 | 8,845 | (542,419) | (567,305) |
| CHANGE IN NET POSITION | \$ (3,619,191) | \$ (6,078,726) | \$ (20,568) | \$ (32,830) | \$ (3,639,759) | \$ (6,111,556) |

PHOENIXVILLE AREA SCHOOL DISTRICT
Management's Discussion and Analysis
June 30, 2019

EXPENSES

The following table presents condensed financial information on the expenses of the District by function. The table illustrates both the gross and net costs of services. Unrestricted grants, subsidies and contributions are deducted to reflect the amount needed to be funded by other revenue sources. The amount needed to be funded by other revenue sources decreased by \$97,373, or 0.13% compared to the prior year.

Expense Analysis
For the Years Ended June 30, 2019 and 2018

| | Total Cost of Services | | Net Cost of Services | |
|---|------------------------------|----------------------|----------------------------|----------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Expenses - Governmental Activities: | | | | |
| Instruction | \$ 56,469,691 | \$ 54,236,086 | \$ 44,286,627 | \$ 42,578,403 |
| Support Services | 6,892,798 | 6,407,518 | 6,816,131 | 6,329,922 |
| Administration and Financial Support | 7,999,621 | 8,431,323 | 7,999,621 | 8,431,323 |
| Operation and Maintenance of | | | | |
| Plant Services | 7,216,125 | 8,426,396 | 6,632,611 | 7,303,380 |
| Pupil Transportation | 4,896,105 | 4,855,895 | 3,576,149 | 3,540,422 |
| Student Activities | 2,231,040 | 2,089,076 | 2,172,268 | 1,995,666 |
| Community Services | 85,330 | 68,961 | 85,330 | 68,961 |
| Interest on Long-Term Debt | 3,773,586 | 4,971,899 | 3,773,586 | 4,971,899 |
| Unallocated Depreciation Expense | 6,032,087 | 6,152,942 | 6,032,087 | 6,152,942 |
| Transfers | 567,305 | 576,150 | 567,305 | 576,150 |
| | <u>\$ 96,163,688</u> | <u>\$ 96,216,246</u> | 81,941,715 | 81,949,068 |
| Less: Grants, Subsidies and Contributions Not Restricted | | | <u>(4,883,269)</u> | <u>(4,793,249)</u> |
| AMOUNT NEEDED TO BE FUNDED BY OTHER REVENUE SOURCES | | | <u>\$ 77,058,446</u> | <u>\$ 77,155,819</u> |

The following table reflects condensed financial activities of the food service program, the only business-type activity of the District.

Business-Type Activities
For the Years Ended June 30, 2019 and 2018

| | Total Cost of Services | | Total Cost of Services | |
|--------------------------------------|------------------------------|---------------------|------------------------------|------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Expenses - Business-Type Activities: | | | | |
| Food Services | <u>\$ 1,640,744</u> | <u>\$ 1,554,592</u> | <u>\$ 20,568</u> | <u>\$ 32,830</u> |

The net cost of services for the year ended June 30, 2019 reflects a net cost of \$20,568. The prior year net cost was \$32,830.

PHOENIXVILLE AREA SCHOOL DISTRICT
Management's Discussion and Analysis
June 30, 2019

THE DISTRICT FUNDS

GENERAL FUND

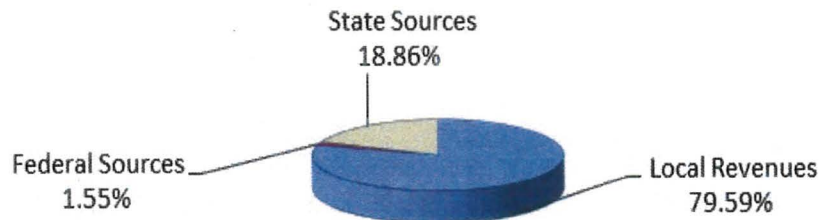
At June 30, 2019, the District reported an unassigned fund balance of \$6,146,163 (includes \$235,864, which is a nonspendable balance related to prepaid expenses). The School Board committed fund balance of \$343,000 for future PSERS obligations. In addition, the District assigned fund balance of \$1,127,025 is for future health claims. The School Board of the Phoenixville Area School District consciously maintains a modest fund balance needed to respond to unforeseen contingencies. This philosophy was established in response to a healthy and growing economy within our District and accurate and timely forecasting which allows the District to constantly monitor economic trends within our community. This philosophy conforms to the Board's belief that the tax burden should be aligned with the current funding needs of the District.

REVENUE

Revenues which total \$92,454,532, increased \$3,540,364 or 3.98%, over the prior year revenues. The following table reflects a comparison of current year revenues to prior year revenues:

| | <u>Revenue 2019</u> | <u>% of Total</u> | <u>Increase From 2018</u> | <u>Percentage Increase</u> |
|-----------------|-------------------------|-----------------------|-------------------------------|--------------------------------|
| Local Revenues | \$ 73,580,063 | 79.59% | \$ 3,483,086 | 4.97% |
| State Sources | 17,432,733 | 18.86% | (49,695) | -0.28% |
| Federal Sources | 1,441,736 | 1.55% | 106,973 | 8.01% |
| | <u>\$ 92,454,532</u> | <u>100.00%</u> | <u>\$ 3,540,364</u> | <u>3.98%</u> |

Distribution of Funding Sources



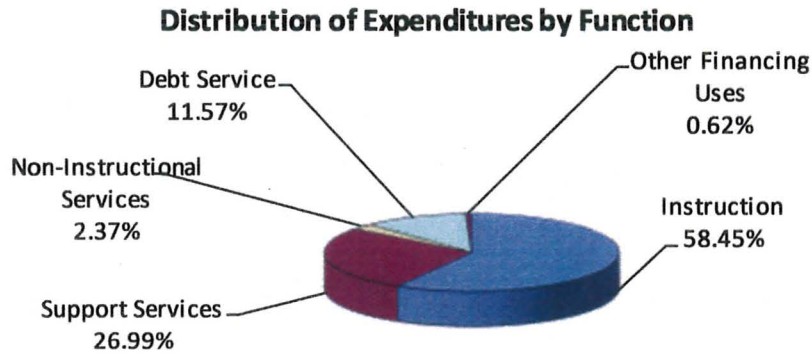
PHOENIXVILLE AREA SCHOOL DISTRICT
Management's Discussion and Analysis
June 30, 2019

The District balanced the budget by increasing the 2018-2019 tax rate to 30.52 mills from 29.58 mills. As a result of the increase in millage and changes in real estate assessments, revenues from current real estate taxes increased by \$2,228,423. Earned income tax collections increased by \$1,091,032 compared to the prior year. State Subsidies decreased in total by \$49,695, with the state subsidy for basic education increasing \$86,470, sinking fund payments decreasing \$19,482, and state share of retirement increasing \$342,004. Federal Subsidies increased in total by \$106,973 compared to the prior year.

EXPENDITURES

Expenditures and other financing uses, which total \$92,230,084 increased \$1,835,274 over 2017-2018 expenditures. The expenditures were segregated into various programs depending on the functions of the activity. These programs and the costs associated with each are as follows:

| | Expenditures 2019 | % of Total | Increase (Decrease) From 2018 | Variance with Final Budget - Positive (Negative) |
|---|----------------------|----------------|-------------------------------------|---|
| Instruction | \$ 53,912,376 | 58.45% | \$ 1,562,223 | \$ (1,040,875) |
| Support Services | 24,891,720 | 26.99% | 94,616 | 182,962 |
| Non-Instructional Services | 2,186,239 | 2.37% | 135,598 | (248,106) |
| Debt Service | 10,672,444 | 11.57% | 301,682 | (17,600) |
| Other Financing Uses | 567,305 | 0.62% | (258,845) | 564,887 |
| TOTAL EXPENDITURES BY FUNCTION | \$ 92,230,084 | 100.00% | \$ 1,835,274 | \$ (558,732) |



PHOENIXVILLE AREA SCHOOL DISTRICT
Management's Discussion and Analysis
June 30, 2019

EXPENDITURES (Continued)

The increase in expenditures from the prior fiscal year is due to changes in a variety of expenditures, primarily the District's cost of PSERS which increased in the amount of \$708,639. Transfers to the library were \$567,305.

CAPITAL PROJECTS FUND

At June 30, 2019, the District reported a fund balance of \$3,521,438 which is an increase of 5,227,121 over last year. The District issued a \$9,985,000 GOB Series of 2019 bond issue during the 18/19 school year for the purpose of refunding the capital project fund as well as fund various capital expenditures related to the high school. During 2018-2019 this fund expended \$4,636,491 in construction and capital improvement expenditures as well as \$198,274 in support services. Increases in this fund include new bond proceeds in the amount of \$9,985,000, bond premium of \$12,225, investment earnings of \$61,761, and state grant revenue of \$2,900.

CAPITAL RESERVE FUND

At June 30, 2019, the District reported a fund balance of \$2,400,777, which is a decrease of \$11,757 from the prior year. Increases in this fund during 2018-2019 include investment earnings of \$59,178. The capital reserve fund expended \$70,935 in capital outlay expenditures.

GENERAL FUND BUDGET

During the fiscal year, the Board of School Directors authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District. All adjustments are again confirmed at the time the annual audit is accepted. This is done after the end of the fiscal year in accordance with state law. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided as required supplementary information to the financial statements.

The School District's formally adopted budget filed with the State includes estimated amounts for revenues and expenditures. In the Budgetary Comparison Schedule, the formally adopted budget reflects revenues in the amount of \$91,328,352 with actual revenues received in the amount of \$92,454,532, a positive variance in the amount of \$1,126,180. In addition, the formally adopted budget reflects expenditures (including other financing uses) in the amount of \$91,671,352 with the actual expenditures in the amount of \$92,230,084, a negative variance in the amount of \$558,732.

The Budgetary Reserve includes amounts that will be funded for operating contingencies, such as additional staffing, charter school tuition and the occurrence of events which are vaguely perceptible during the time of the budget process but which nonetheless may require expenditures by the District during the year of operation. If the expenditures materialize, funds are transferred from the Budgetary Reserve to the appropriate area.

PHOENIXVILLE AREA SCHOOL DISTRICT
Management's Discussion and Analysis
June 30, 2019

CAPITAL ASSETS

At June 30, 2019, the District had \$161,999,628 (governmental activities) invested in a broad range of capital assets, including land, buildings and furniture and equipment. This amount represents a net decrease (including additions, deletions and depreciation) of \$1,357,416 from last year.

The following schedule depicts the change in capital assets for the period July 1, 2018 through June 30, 2019.

Schedule of Capital Assets

| | <u>Beginning Balance</u> | <u>Increase (Decrease)</u> | <u>Ending Balance</u> |
|---|------------------------------|--------------------------------|---------------------------|
| <u>Governmental Activities:</u> | | | |
| Capital Assets: | | | |
| Land | \$ 504,962 | \$ 0 | \$ 504,962 |
| Land Improvements | 7,866,016 | 3,736,237 | 11,602,253 |
| Buildings | 195,440,751 | 342,176 | 195,782,927 |
| Construction in Progress | 2,410,824 | (11,005) | 2,399,819 |
| Furniture and Equipment | 23,352,836 | 607,263 | 23,960,099 |
| TOTAL CAPITAL ASSETS | <u>229,575,389</u> | <u>4,674,671</u> | <u>234,250,060</u> |
| Accumulated Depreciation for: | | | |
| Land Improvements | 3,157,462 | 452,092 | 3,609,554 |
| Buildings | 43,993,126 | 4,578,485 | 48,571,611 |
| Furniture and Equipment | 19,067,757 | 1,001,510 | 20,069,267 |
| TOTAL ACCUMULATED DEPRECIATION | <u>66,218,345</u> | <u>6,032,087</u> | <u>72,250,432</u> |
| GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET | <u>\$163,357,044</u> | <u>\$ (1,357,416)</u> | <u>\$161,999,628</u> |
| <u>Business-Type Activities:</u> | | | |
| Capital Assets: | | | |
| Furniture and Equipment | \$ 1,202,038 | \$ 29,686 | \$ 1,231,724 |
| Accumulated Depreciation for: | | | |
| Furniture and Equipment | 832,456 | 53,167 | 885,623 |
| BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET | <u>\$ 369,582</u> | <u>\$ (23,481)</u> | <u>\$ 346,101</u> |

PHOENIXVILLE AREA SCHOOL DISTRICT
Management's Discussion and Analysis
June 30, 2019

DEBT ADMINISTRATION

| | Principal Outstanding July 1, 2018 | Maturities | Additions (Refinancing) | Principal Outstanding June 30, 2019 |
|--|--|---------------------|----------------------------|---|
| General Obligation Note Series of 2000 | \$ 2,220,000 | \$ 705,000 | \$ 0 | \$ 1,515,000 |
| General Obligation Bonds Series A of 2009 | 900,000 | 860,000 | 0 | 40,000 |
| General Obligation Bonds Series of 2012 | 7,955,000 | 1,385,000 | 0 | 6,570,000 |
| General Obligation Bonds Series A of 2012 | 15,275,000 | 1,135,000 | 0 | 14,140,000 |
| General Obligation Bonds Series of 2013 | 7,600,000 | 510,000 | 0 | 7,090,000 |
| General Obligation Bonds Series A of 2014 | 9,240,000 | 610,000 | 0 | 8,630,000 |
| General Obligation Bonds Series A of 2015 | 9,930,000 | 25,000 | 0 | 9,905,000 |
| General Obligation Bonds Series B of 2015 | 9,855,000 | 35,000 | 0 | 9,820,000 |
| General Obligation Bonds Series C of 2015 | 7,720,000 | 20,000 | 0 | 7,700,000 |
| General Obligation Bonds Series D of 2015 | 8,710,000 | 130,000 | 0 | 8,580,000 |
| General Obligation Bonds Series of 2016 | 9,495,000 | 5,000 | 0 | 9,490,000 |
| General Obligation Bonds Series A of 2016 | 7,305,000 | 475,000 | 0 | 6,830,000 |
| General Obligation Bonds Series B of 2016 | 4,690,000 | 600,000 | 0 | 4,090,000 |
| General Obligation Bonds Series of 2017 | 8,710,000 | 5,000 | 0 | 8,705,000 |
| General Obligation Bonds Series A of 2017 | 6,275,000 | 60,000 | 0 | 6,215,000 |
| General Obligation Bonds Series AA of 2017 | 3,970,000 | 5,000 | 0 | 3,965,000 |
| General Obligation Bonds Series AAA of 2017 | 9,065,000 | 5,000 | 0 | 9,060,000 |
| General Obligation Bonds Series of 2018 | 9,995,000 | 5,000 | 0 | 9,990,000 |
| General Obligation Bonds Series of 2019 | 0 | 0 | 9,985,000 | 9,985,000 |
| | <u>138,910,000</u> | <u>6,575,000</u> | <u>9,985,000</u> | <u>142,320,000</u> |
| Less: Deferred Amounts: Issuance (Discounts) Premium | 4,014,688 | (408,629) | 12,224 | 3,618,283 |
| LONG-TERM DEBT | <u>\$ 142,924,688</u> | <u>\$ 6,166,371</u> | <u>\$ 9,997,224</u> | <u>\$ 145,938,283</u> |

PHOENIXVILLE AREA SCHOOL DISTRICT
Management's Discussion and Analysis
June 30, 2019

THE DISTRICT'S FUTURE

In December 2016, the Phoenixville Area School District Board of School Directors adopted a new strategic plan that has focused our purpose and resources as we prepare for the 21st Century. A team of people, including School Board members, administrators, teachers, and parents assembled to create the following five goals:

- Allocate Resources to Foster Excellence for all Students
- Promote Employee Growth and Effectiveness
- Provide High Quality Instruction
- Encourage Effective, Consistent Communication and Collaboration
- Implement a Consistent and Reflective use of Data to Drive Change

The District updates the strategic plan in accordance with requirements by the Pennsylvania Department of Education.

The District is projected to continue to experience enrollment growth in the next five years. Total enrollment was 4,104 students for the 2019-2020 school year. The total estimated increase of students over the next 5 year period is 600 students.

Based on current enrollment projections the District may need to add classroom space at the elementary level for the next few years. Land has been purchased to address these potential needs, and building plans are being considered by the Board and Administration. Classroom space may be required at the secondary level (Grades 6-12) as well. A project to add 6-10 classrooms at the High School is being considered by the School Board and Administration but the need is not immediate.

In the near future, the District may need to borrow additional funds to finance capital projects. The next period of substantial borrowing is estimated to be in the 2022-2024 period. The District has a conceptual plan for the future financings. As in the past, the District could use a series of interim financings as well as General Obligation Bonds.

FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact Richard Fazio, Interim Business Manager at the Phoenixville Area School District, 386 City Line Ave, Phoenixville, PA 19460, (484) 927-5020.

PHOENIXVILLE AREA SCHOOL DISTRICT
Statement of Net Position (Deficit)
June 30, 2019

| | Primary Government | | | Component Unit |
|--|-------------------------|--------------------------|-----------------------|-----------------------------|
| | Governmental Activities | Business-Type Activities | Total | Phoenixville Public Library |
| ASSETS | | | | |
| Current: | | | | |
| Cash and Cash Equivalents | \$ 139,713 | \$ 182,682 | \$ 322,395 | \$ 220,567 |
| Investments | 18,443,468 | 0 | 18,443,468 | 70,000 |
| Taxes Receivable, Net | 6,137,402 | 0 | 6,137,402 | 0 |
| Due from Other Governments | 3,463,506 | 97,999 | 3,561,505 | 0 |
| Other Receivables | 377,211 | 15,837 | 393,048 | 0 |
| Prepaid Expenses | 235,864 | 0 | 235,864 | 4,785 |
| Inventories | 0 | 25,326 | 25,326 | 0 |
| TOTAL CURRENT ASSETS | 28,797,164 | 321,844 | 29,119,008 | 295,352 |
| Capital Assets, Net of Accumulated Depreciation | 161,999,628 | 346,101 | 162,345,729 | 1,068,086 |
| TOTAL ASSETS | 190,796,792 | 667,945 | 191,464,737 | 1,363,438 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred Outflows of Resources: Pension Plan | 25,875,554 | 0 | 25,875,554 | 0 |
| Deferred Outflows of Resources: OPEB - PSERS | 648,082 | 0 | 648,082 | 0 |
| Deferred Outflows of Resources: OPEB | 105,351 | 0 | 105,351 | 0 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 26,628,987 | 0 | 26,628,987 | 0 |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | \$ 217,425,779 | \$ 667,945 | \$ 218,093,724 | \$ 1,363,438 |
| LIABILITIES | | | | |
| Current: | | | | |
| Accounts Payable and Other Current Liabilities | \$ 3,461,732 | \$ 282,868 | \$ 3,744,600 | \$ 26,820 |
| Bonds and Notes Payable Due Within One Year | 6,955,000 | 0 | 6,955,000 | 0 |
| Accrued Salaries and Benefits | 6,320,966 | 0 | 6,320,966 | 0 |
| Unearned Revenues | 322,040 | 48,372 | 370,412 | 0 |
| Accrued Interest | 605,495 | 0 | 605,495 | 0 |
| TOTAL CURRENT LIABILITIES | 17,665,233 | 331,240 | 17,996,473 | 26,820 |
| Noncurrent: | | | | |
| Bonds and Notes Payable Due After One Year | 138,983,283 | 0 | 138,983,283 | 0 |
| Compensated Absences | 1,910,987 | 0 | 1,910,987 | 0 |
| Net Pension Liability | 126,829,000 | 0 | 126,829,000 | 0 |
| Net OPEB Liability - PSERS | 5,508,000 | 0 | 5,508,000 | 0 |
| OPEB Liability - Single Employer | 3,280,713 | 0 | 3,280,713 | 0 |
| TOTAL NONCURRENT LIABILITIES | 276,511,983 | 0 | 276,511,983 | 0 |
| TOTAL LIABILITIES | 294,177,216 | 331,240 | 294,508,456 | 26,820 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred Inflows of Resources: Pension Plan | 8,585,000 | 0 | 8,585,000 | 0 |
| Deferred Inflows of Resources: OPEB - PSERS | 583,000 | 0 | 583,000 | 0 |
| Deferred Inflows of Resources: OPEB | 817,099 | 0 | 817,099 | 0 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 9,985,099 | 0 | 9,985,099 | 0 |
| TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | 304,162,315 | 331,240 | 304,493,555 | 26,820 |
| NET POSITION (DEFICIT) | | | | |
| Invested in Capital Assets, Net of Related Debt | 19,582,783 | 346,101 | 19,928,884 | 1,068,086 |
| Restricted for: Capital Projects | 5,922,215 | 0 | 5,922,215 | 0 |
| Unrestricted | (112,241,534) | (9,396) | (112,250,930) | 268,532 |
| TOTAL NET POSITION (DEFICIT) | (86,736,536) | 336,705 | (86,399,831) | 1,336,618 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND AND NET POSITION (DEFICIT) | \$ 217,425,779 | \$ 667,945 | \$ 218,093,724 | \$ 1,363,438 |

The accompanying notes are an integral part of this statement.

PHOENIXVILLE AREA SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2019

| FUNCTIONS/PROGRAMS | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Assets | | Component Unit Phoenixville Public Library |
|---|----------------------|-------------------------|--|----------------------------|--|------------------------|---|
| | Expenses | Charges For Services | Operating Grants and Contributions | Governmental Activities | Business-Type Activities | Total | |
| Governmental Activities: | | | | | | | |
| Instruction | \$ 56,469,691 | \$ (14,569) | \$(12,168,495) | \$ (44,286,627) | \$ 0 | \$ (44,286,627) | \$ 0 |
| Instructional Student Support | 6,892,798 | 0 | (76,667) | (6,816,131) | 0 | (6,816,131) | 0 |
| Administrative and Financial Support Services | 7,999,621 | 0 | 0 | (7,999,621) | 0 | (7,999,621) | 0 |
| Operation and Maintenance of Plant Operation | 7,216,125 | (157,432) | (426,082) | (6,632,611) | 0 | (6,632,611) | 0 |
| Pupil Transportation | 4,896,105 | 0 | (1,319,956) | (3,576,149) | 0 | (3,576,149) | 0 |
| Student Activities | 2,231,040 | (58,772) | 0 | (2,172,268) | 0 | (2,172,268) | 0 |
| Community Services | 85,330 | 0 | 0 | (85,330) | 0 | (85,330) | 0 |
| Interest on Long-Term Debt | 3,773,586 | 0 | 0 | (3,773,586) | 0 | (3,773,586) | 0 |
| Unallocated Depreciation Expense | 6,032,087 | 0 | 0 | (6,032,087) | 0 | (6,032,087) | 0 |
| TOTAL GOVERNMENTAL ACTIVITIES | 95,596,383 | (230,773) | (13,991,200) | (81,374,410) | 0 | (81,374,410) | 0 |
| Business-Type Activities: | | | | | | | |
| Food Services | 1,640,744 | (845,690) | (747,005) | 0 | (48,049) | (48,049) | 0 |
| TOTAL PRIMARY GOVERNMENT | \$ 97,237,127 | \$ (1,076,463) | \$(14,738,205) | \$ (81,374,410) | \$ (48,049) | \$ (81,422,459) | \$ 0 |
| Component-Unit Activities: | | | | | | | |
| Phoenixville Public Library | \$ 1,114,800 | \$ (269,214) | \$ (178,714) | | | | (666,872) |
| General Revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property Taxes, Levied for General Purposes, Net | | | | \$ 61,257,669 | 0 | 61,257,669 | 0 |
| Public Utility Realty, Earned Income and Realty Transfer Taxes, | | | | | | | |
| Personal Taxes, Levied for General Purposes, Net | | | | 10,885,087 | 0 | 10,885,087 | 0 |
| Grants, Subsidies and Contributions Not Restricted | | | | 4,883,269 | 0 | 4,883,269 | 0 |
| Investment Earnings | | | | 861,017 | 2,595 | 863,612 | 1,277 |
| Miscellaneous Income | | | | 435,482 | 0 | 435,482 | 9,005 |
| TOTAL GENERAL REVENUES AND SPECIAL ITEMS | | | | 78,322,524 | 2,595 | 78,325,119 | 10,282 |
| Transfers | | | | (567,305) | 24,886 | (542,419) | 567,305 |
| CHANGE IN NET POSITION (DEFICIT) | | | | (3,619,191) | (20,568) | (3,639,759) | (89,285) |
| Net Position (Deficit) - July 1, 2018 | | | | (83,117,345) | 357,273 | (82,760,072) | 1,425,903 |
| NET POSITION (DEFICIT) - JUNE 30, 2019 | | | | \$ (86,736,536) | \$ 336,705 | \$ (86,399,831) | \$ 1,336,618 |

The accompanying notes are an integral part of this statement.

PHOENIXVILLE AREA SCHOOL DISTRICT

Balance Sheet
Governmental Funds
June 30, 2019

| <u>ASSETS</u> | <u>General Fund</u> | <u>Capital Projects Fund</u> | <u>Capital Reserve Fund</u> | <u>Total Governmental Funds</u> |
|---|-------------------------|--------------------------------------|-------------------------------------|---|
| Cash and Cash Equivalents | \$ 139,713 | \$ 0 | \$ 0 | \$ 139,713 |
| Investments | 10,758,841 | 4,904,328 | 2,780,299 | 18,443,468 |
| Taxes Receivable | 6,137,402 | 0 | 0 | 6,137,402 |
| Due from Other Funds | 719,303 | 0 | 0 | 719,303 |
| Due from Other Governments | 3,463,506 | 0 | 0 | 3,463,506 |
| Other Receivables | 170,329 | 206,882 | 0 | 377,211 |
| Prepaid Expenses | 235,864 | 0 | 0 | 235,864 |
| TOTAL ASSETS | \$ 21,624,958 | \$ 5,111,210 | \$ 2,780,299 | \$ 29,516,467 |
| <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u> | | | | |
| Liabilities: | | | | |
| Accounts Payable | \$ 2,116,082 | \$ 1,234,512 | \$ 15,479 | \$ 3,366,073 |
| Accrued Salaries and Benefits | 6,416,625 | 0 | 0 | 6,416,625 |
| Due to other funds | 0 | 355,260 | 364,043 | 719,303 |
| Unearned Revenues | 322,040 | 0 | 0 | 322,040 |
| TOTAL LIABILITIES | 8,854,747 | 1,589,772 | 379,522 | 10,824,041 |
| Deferred Inflows of Resources: | | | | |
| Unavailable Revenue - Property Taxes | 5,154,023 | 0 | 0 | 5,154,023 |
| Fund Balances: | | | | |
| Nonspendable | 235,864 | 0 | 0 | 235,864 |
| Committed | 343,000 | 0 | 0 | 343,000 |
| Assigned | 1,127,025 | 0 | 2,400,777 | 3,527,802 |
| Unassigned | 5,910,299 | 3,521,438 | 0 | 9,431,737 |
| TOTAL FUND BALANCES | 7,616,188 | 3,521,438 | 2,400,777 | 13,538,403 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ 21,624,958 | \$ 5,111,210 | \$ 2,780,299 | \$ 29,516,467 |

The accompanying notes are an integral part of this statement.

PHOENIXVILLE AREA SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position (Deficit)
June 30, 2019

| | | |
|--|------------------|-------------------------------|
| Total Fund Balances - Governmental Funds | | \$ 13,538,403 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of assets is \$234,250,060 and the accumulated depreciation is \$72,250,432. | | 161,999,628 |
| Some of the District's revenues will be collected after year end and are, therefore, not reported in the funds statements. | | 5,154,023 |
| Some of the District's liabilities are not due and payable in the current period and are, therefore, not reported in the fund statements: | | |
| Bonds and Notes Payable | \$ 145,938,283 | |
| Accrued Interest on the Bonds | 605,495 | |
| Net Pension Liability | 126,829,000 | |
| Net OPEB Liability - PSERS | 5,508,000 | |
| OPEB Liability - Single Employer | 3,280,713 | |
| Compensated Absences | <u>1,910,987</u> | (284,072,478) |
| Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the fund statements | | |
| Deferred Outflows of Resources - Pension Plan | \$ 25,875,554 | |
| Deferred Outflows of Resources - OPEB - PSERS | 648,082 | |
| Deferred Outflows of Resources - OPEB | 105,351 | |
| Deferred Inflows of Resources - Pension Plan | (8,585,000) | |
| Deferred Inflows of Resources - OPEB - PSERS | (583,000) | |
| Deferred Inflows of Resources - OPEB | <u>(817,099)</u> | <u>16,643,888</u> |
| TOTAL NET POSITION (DEFICIT) - GOVERNMENTAL ACTIVITIES | | <u>\$ (86,736,536)</u> |

The accompanying notes are an integral part of this statement.

PHOENIXVILLE AREA SCHOOL DISTRICT
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

| | General Fund | Capital Projects Fund | Capital Reserve Fund | Total Governmental Funds |
|--|---------------------|-----------------------------|----------------------------|--------------------------------|
| Revenues: | | | | |
| Local Sources: | | | | |
| Real Estate Taxes | \$ 61,257,669 | \$ 0 | \$ 0 | \$ 61,257,669 |
| Realty Transfer Tax | 1,295,499 | 0 | 0 | 1,295,499 |
| Earned Income Taxes | 9,428,709 | 0 | 0 | 9,428,709 |
| Other Taxes | 194,753 | 0 | 0 | 194,753 |
| Earnings from Investments | 740,078 | 61,761 | 59,178 | 861,017 |
| Other Local Revenues | 663,355 | 0 | 0 | 663,355 |
| State Sources | 17,432,733 | 2,900 | 0 | 17,435,633 |
| Federal Sources | 1,441,736 | 0 | 0 | 1,441,736 |
| TOTAL REVENUES | <u>92,454,532</u> | <u>64,661</u> | <u>59,178</u> | <u>92,578,371</u> |
| Expenditures: | | | | |
| Instruction | 53,912,376 | 0 | 0 | 53,912,376 |
| Support Services | 24,891,720 | 198,274 | 0 | 25,089,994 |
| Non-Instructional Services | 2,186,239 | 0 | 0 | 2,186,239 |
| Capital Outlay | 0 | 4,636,491 | 70,935 | 4,707,426 |
| Debt Service | 10,672,444 | 0 | 0 | 10,672,444 |
| TOTAL EXPENDITURES | <u>91,662,779</u> | <u>4,834,765</u> | <u>70,935</u> | <u>96,568,479</u> |
| DEFICIENCY OF REVENUES OVER EXPENDITURES | <u>791,753</u> | <u>(4,770,104)</u> | <u>(11,757)</u> | <u>(3,990,108)</u> |
| Other Financing Sources (Uses): | | | | |
| Bond Proceeds | 0 | 9,985,000 | 0 | 9,985,000 |
| Bond Premium | 0 | 12,225 | 0 | 12,225 |
| Transfer - Component Unit | (567,305) | 0 | 0 | (567,305) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(567,305)</u> | <u>9,997,225</u> | <u>0</u> | <u>9,429,920</u> |
| NET CHANGE IN FUND BALANCES | 224,448 | 5,227,121 | (11,757) | 5,439,812 |
| Fund Balances (Deficit) - July 1, 2018 | <u>7,391,740</u> | <u>(1,705,683)</u> | <u>2,412,534</u> | <u>8,098,591</u> |
| FUND BALANCES - JUNE 30, 2019 | <u>\$ 7,616,188</u> | <u>\$ 3,521,438</u> | <u>\$ 2,400,777</u> | <u>\$ 13,538,403</u> |

The accompanying notes are an integral part of this statement.

PHOENIXVILLE AREA SCHOOL DISTRICT
Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities
For the Year Ended June 30, 2019

| | | |
|---|---------------------|------------------------------|
| Total Net Change in Fund Balances - Governmental Funds | \$ | 5,439,812 |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| 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. | | |
| Capital Outlay | \$ 4,674,671 | |
| Depreciation Expense | <u>(6,032,087)</u> | (1,357,416) |
| Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. | | |
| Bond Proceeds | \$ (9,985,000) | |
| Principal Payments on Long-Term Term Liabilities | 6,575,000 | |
| Bond Issuance Premium | <u>396,405</u> | (3,013,595) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| | | (33,874) |
| Some of the expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. | | |
| Net OPEB Liability - PSERS and OPEB Liability - Single Employer | \$ (349,219) | |
| Accrued Interest on the Bonds | (84,771) | |
| Compensated Absences | <u>(437,531)</u> | (871,521) |
| Governmental funds report district pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense | | |
| District Pension Contributions | \$ 11,965,636 | |
| Cost of Benefits Earned Net of Employee Contributions | <u>(15,748,233)</u> | (3,782,597) |
| CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES | | <u><u>\$ (3,619,191)</u></u> |

The accompanying notes are an integral part of this statement.

PHOENIXVILLE AREA SCHOOL DISTRICT

Statement of Net Position

Proprietary Funds

June 30, 2019

| <u>ASSETS</u> | <u>Food Services</u> |
|--|--------------------------|
| Current: | |
| Cash and Cash Equivalents | \$ 182,682 |
| Receivables - Other | 15,837 |
| Inventories | 25,326 |
| Due from Other Governments | 97,999 |
| TOTAL CURRENT ASSETS | <u>321,844</u> |
| Non-Current: | |
| Furniture and Equipment | 1,231,724 |
| Less: Accumulated Depreciation | (885,623) |
| TOTAL NON-CURRENT ASSETS | <u>346,101</u> |
| TOTAL ASSETS | <u>\$ 667,945</u> |
| <u>LIABILITIES</u> | |
| Current: | |
| Accounts Payable | \$ 282,868 |
| Unearned Revenue | 48,372 |
| TOTAL LIABILITIES | <u>331,240</u> |
| <u>NET POSITION</u> | |
| Invested in Capital Assets | 346,101 |
| Unrestricted Deficit | (9,396) |
| TOTAL NET POSITION | <u>336,705</u> |
| TOTAL LIABILITIES AND NET POSITION | <u>\$ 667,945</u> |

The accompanying notes are an integral part of this statement.

PHOENIXVILLE AREA SCHOOL DISTRICT
Statement of Revenues, Expenses and
Changes in Net Position -
Proprietary Funds
For the Year Ended June 30, 2019

| | |
|------------------------------------|----------------------|
| | <u>Food Services</u> |
| Operating Revenues: | |
| Food Service Revenue | <u>\$ 845,690</u> |
| Operating Expenses: | |
| Professional and Contract Services | 1,475,955 |
| Donated Commodities Consumed | 111,622 |
| Depreciation | 53,167 |
| TOTAL OPERATING EXPENSES | <u>1,640,744</u> |
| OPERATING LOSS | <u>(795,054)</u> |
| Non-Operating Revenues: | |
| Earnings on Investments | 2,595 |
| State Sources | 44,618 |
| Federal Sources | 702,387 |
| TOTAL NON-OPERATING REVENUES | <u>749,600</u> |
| LOSS BEFORE CONTRIBUTIONS | (45,454) |
| Contributions: | |
| Capital Contributions | <u>24,886</u> |
| CHANGE IN NET POSITION | (20,568) |
| Net Position - July 1, 2018 | <u>357,273</u> |
| NET POSITION - JUNE 30, 2019 | <u>\$ 336,705</u> |

PHOENIXVILLE AREA SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2019

| | <u>Food Services</u> |
|--|--------------------------|
| Cash Flows From Operating Activities: | |
| Cash Received from Users | \$ 873,341 |
| Cash Payments to Suppliers for Goods and Services | <u>(1,488,578)</u> |
| NET CASH USED BY OPERATING ACTIVITIES | <u>(615,237)</u> |
| Cash Flows From Non-Capital Financing Activities: | |
| State Sources | 44,195 |
| Federal Sources | <u>693,993</u> |
| NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES | <u>738,188</u> |
| Cash Flows From Capital and Related Financing Activities: | |
| Acquisition of Capital Assets | <u>(4,800)</u> |
| Cash Flows From Investing Activities: | |
| Earnings on Investments | <u>2,595</u> |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | 120,746 |
| Cash and Cash Equivalents - July 1, 2018 | <u>61,936</u> |
| CASH AND CASH EQUIVALENTS - JUNE 30, 2019 | <u>\$ 182,682</u> |
| <u>Supplemental Schedule of Non-Cash Capital Financing Activities:</u> | |
| Contributed Capital - Equipment | <u>\$ 24,886</u> |
| <u>Reconciliation of Operating Loss to Net Cash Used by Operating Activities:</u> | |
| Operating Loss | \$ (795,054) |
| Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities: | |
| Depreciation | 53,167 |
| Changes in Assets and Liabilities: | |
| Receivables - Other | (15,837) |
| Inventories | 8,208 |
| Accounts Payable | 90,791 |
| Unearned Revenue | <u>43,488</u> |
| NET CASH USED BY OPERATING ACTIVITIES | <u>\$ (615,237)</u> |

PHOENIXVILLE AREA SCHOOL DISTRICT
Statement of Fiduciary Net Position
For the Year Ended June 30, 2019

| <u>ASSETS</u> | <u>Private- Purpose Trusts</u> | <u>Agency Funds</u> |
|-----------------------------|--|-------------------------|
| Cash and Cash Equivalents | <u>\$ 27,845</u> | <u>\$ 157,873</u> |
| | | |
| <u>LIABILITIES</u> | | |
| Due to Student Groups | <u>----- \$ 0</u> | <u>\$ 157,873</u> |
| | | |
| <u>NET POSITION</u> | | |
| Restricted for Scholarships | \$ 27,845 | |
| Unrestricted | <u>0</u> | |
| TOTAL NET POSITION | <u>\$ 27,845</u> | |

The accompanying notes are an integral part of this statement.

PHOENIXVILLE AREA SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2019

| | <u>Private- Purpose Trusts</u> |
|------------------------------|--|
| Additions: | |
| Contributions | \$ 12,435 |
| Interest Income | 106 |
| TOTAL ADDITIONS | <u>12,541</u> |
| Deductions: | |
| Grants | <u>9,200</u> |
| CHANGE IN NET POSITION | 3,341 |
| Net Position - July 1, 2018 | <u>24,504</u> |
| NET POSITION - JUNE 30, 2019 | <u><u>\$ 27,845</u></u> |

The accompanying notes are an integral part of this statement.

PHOENIXVILLE AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 1 - Summary of Significant Accounting Policies

Phoenixville Area School District's (the District's) financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the District has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the District has chosen not to do so. The more significant accounting policies, established in GAAP and used by the District, are discussed below.

A. Reporting Entity

The School District is governed by an elected Board of Directors. Accounting principles generally accepted in the United States of America require that the financial statements present the School District and its component units, entities for which the School District is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the School District's operations and so data from these units are required to be combined with data of the primary School District. Each discretely presented component unit, on the other hand, is required to be reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the School District.

Joint Ventures

The School District participates in a joint venture with eleven other school districts of Chester County, Pennsylvania in the operation of a Center for Arts and Technology (the "Vo-Tech School"). The Vo-Tech School is governed by a joint board, which is composed of representative school board members of the participating schools. Each member pays a pro-rata share of the operating cost of the Vo-Tech School based on the number of students from the twelve member districts. The financial statements of the Vo-Tech School are available at the Chester County Intermediate Unit located at 455 Boot Road, Downingtown, PA 19335.

Discretely Presented Component Unit:

The Phoenixville Public Library serves the Phoenixville Area School District community. The Library's governing board approves its own budget. However, the Library is fiscally dependent upon the School District because it receives a substantial portion of its operating funds from them and its building is occupied rent-free from the School District. The Library is presented as a governmental fund type and has a June 30-year end. Copies of the Library's financial statements may be obtained at the Library administrative office.

B. Basis of Presentation

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position (deficit) and the statement of activities) report information on all of the non-fiduciary activities of the School District and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

PHOENIXVILLE AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. 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 School District considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only a portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the School District.

The School District reports the following major government funds:

General Fund - The General Fund is the School District's primary operating fund. It accounts for all financial resources, except those required to be accounted for in another fund.

Capital Projects & Capital Reserve Funds - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by enterprise operations. The Capital Reserve fund is used to account for proceeds of specific revenue sources that are assigned for expenditures of future capital projects.

PHOENIXVILLE AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 1 - Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The School District reports the following major proprietary funds:

Food Service Fund - The Food Service Fund (an Enterprise Fund) is used to account for the operations of the School District's school cafeterias that are financed and operated in a manner similar to a private business enterprise where the intent of the governing body is that the cost of providing goods or services to the school population on a continuing basis will be recovered or financed primarily through user charges.

Additionally, the School District reports the following fund types:

Fiduciary Funds - Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, or other governments. These include private-purpose trust funds and agency funds. Private-purpose trust funds account for resources, including both principal and earnings, which must be expended in accordance with a trust agreement, and are accounted for in essentially the same manner as proprietary funds. Agency funds are purely custodial and thus do not involve measurement of the result of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. School districts also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The School District has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary 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 a proprietary fund's principal ongoing operations. The principal operating revenues of the Food Service Enterprise Fund are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

For purposes of the statements of cash flows of proprietary funds, cash equivalents include all highly liquid debt instruments with original maturities of three months or less.

When both restricted and unrestricted resources are available for use, it is the School District's policy to use restricted resources first, then unrestricted resources as they are needed.

PHOENIXVILLE AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 1 - Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity

Deposits and Investments

Under Section 440.1 of the Public School Code of 1949, as amended, the School District is permitted to invest funds consistent with sound business practices in the following types of investments:

Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (c) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral as provided by law therefore shall be pledged by the depository.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are 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 non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of any allowance for uncollectibles. The allowance for uncollectibles was \$943,686 at June 30, 2019.

Inventories

Inventory in the Food Service Fund consists of government donated commodities which were valued at estimated fair market value at donation and valued at cost using the first-in first-out (FIFO) method.

Capital Assets

Capital assets, which include property, plant and equipment and construction in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated 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 assets' lives are not capitalized.

PHOENIXVILLE AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 1 - Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

Capital Assets (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

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

| | |
|-------------------------|------------|
| Land Improvements | 20 Years |
| Buildings | 20 Years |
| Furniture and Equipment | 5-20 Years |

Deferred Outflows of Resources

The District reports decreases in net assets that relate to future periods as deferred outflows of resources in the government-wide and proprietary funds statement of net position. The District reports deferred outflows of resources for contributions made to the District's defined benefit pension plans between the measurement date of the net pension liabilities and OPEB liabilities from those plans and the end of the District's fiscal year. No deferred outflows of resources affect the governmental funds financial statements in the current fiscal year.

Deferred Inflows of Resources

The District's statements of net position and its governmental funds report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net assets that applies to a future period(s). Deferred inflows of resources are reported in the District's various statements of net position for actual pension plan and OPEB investment earnings in excess of the expected amounts included in determining pension expense. In its governmental funds, the only deferred inflow of resources is for revenues that are not considered available. The District will not recognize the related revenues until they are available (collected not later than 60 days after the end of the District's fiscal year) under the modified accrual basis of accounting. Accordingly, unavailable revenues from property taxes are reported in the governmental funds balance sheet.

Compensated Absences

It is the School District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Compensated absences are generally liquidated by the General Fund.

Sick Leave Pay - Sick leave is granted as appropriate with budgetary provisions being made annually for the estimated cost of substitute personnel. Employees who retire under the Pennsylvania School Employees Retirement System are paid at per diem rates ranging from \$20 to \$140 for each unused sick leave day. The District estimates its liability for unused sick days, including a provision for employer social security tax, at June 30, 2019 to be \$759,669.

PHOENIXVILLE AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 1 - Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

Compensated Absences (Continued)

Accrued Severance Pay - Instructional, Secretarial, and Support personnel that have completed at least ten years of credited School District service and that meet retirement eligibility receive severance pay in the form of compensation. Instructional personnel receive \$110 for each year of service in the District. Secretarial and Support personnel receive \$125 for each year of service in the District. These payments are recorded as an expenditure in the period paid or as an accrued expenditure in the fiscal year of separation. Termination compensation payable in future years, including a provision for employer social security tax, amounts to \$598,147 at June 30, 2019.

Vacation and Personal Days - School District employees who are required to work on a twelve-month schedule are credited with vacation and personal days at rates which vary with length of service or job classification. If separation of service occurs in the year subsequent to earning, then the unused balance of what was earned in the prior year is paid at separation. The liability at June 30 represents vacation earned at that date that will be taken in the subsequent year. The liability payable, including a provision for employer social security tax, amounts to \$553,171 at June 30, 2019.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and 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 on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as support service expenditures.

Government-Wide and Proprietary Fund Net Position

Government-wide and proprietary fund net position is divided into three components:

Invested in Capital Assets, Net of Related Debt - Consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.

PHOENIXVILLE AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 1 - Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

Government-Wide and Proprietary Fund Net Position (Continued)

Restricted for: Capital Projects - Consists of the capital projects fund fund-balance that is restricted by the District for capital outlays.

Unrestricted - Consists of all other net position reported in this category.

Governmental Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable - Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - Amounts that can be used only for specific purposes because of state or federal laws, or externally imposed by grantors or creditors.

Committed - Amounts that can be used only for specific purposes determined by a formal action by the Board of Directors resolution.

Assigned - Amounts the District intends to use for a specific purpose. Intent can be expressed by the Board of Directors or by an official or body to which the Board of Directors delegates the authority.

Unassigned - Amounts available for any purpose. Positive amounts are reported only in the General Fund.

The Board of Directors establishes (and modifies and rescinds) fund balance commitments by passage of a resolution. The District's policy is to first apply expenditure toward restricted fund balances followed by committed fund balances and then to assigned fund balances before using unassigned fund balances.

The District will strive to maintain a total of assigned and unassigned fund balance for the general fund of not less than eight percent of the total budgeted general fund expenditures for each fiscal year, which is the maximum percentage that is currently allowed by Pennsylvania Law. The total fund balance for the general fund, consisting of nonspendable, restricted, committed, assigned and unassigned balances, may exceed eight percent.

NOTE 2 - Budgetary Information

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. An annual appropriated budget is adopted for the general fund. All annual appropriations lapse at fiscal year end. Project-length financial plans are adopted for all capital projects funds.

PHOENIXVILLE AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 2 - Budgetary Information (Continued)

The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to May 31, the School Board submits a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the general fund.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted through passage of an ordinance.
4. Legal budgetary control is maintained by the School Board at the department level. Transfers between departments, whether between funds or within a fund or revisions that alter the total revenues and expenditures of any fund must be approved by the School Board.
5. Budgetary data are included in the School District's management information system and are employed as a management control device during the year for the general fund.
6. Budgets for the general fund are adopted substantially on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

NOTE 3 - Deposits and Investments

Deposits - At year end, the total carrying amount of the School District's checking, savings and money market deposits was \$728,680, and the corresponding bank balance was \$765,334.

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District's policy for custodial credit risk requires that all deposits to be purchased in the name of the School District. The School District maintains cash balances at several financial institutions. The accounts at these institutions are insured by the Federal Deposit Insurance Corporation. In the normal course of business, the School District may have deposits that exceed insured balances.

Investments - Statutes authorize the District to invest in U.S. Government Agency bonds, time or share accounts or institutions insured by the Federal Deposit Insurance Corporation or Federal Savings and Loan Insurance Corporation or in certificates of deposit when they are secured by proper bond or collateral, repurchase agreements, State Treasurer's Investment pools, or mutual funds.

All funds in the Pennsylvania School District Liquid Asset Fund, Pennsylvania Local Government Investment Trust, and Pennsylvania Treasurer's Investment Program are invested in accordance with Section 440.1 of the School Code. These funds operate and are authorized under the Intergovernmental Cooperation Act of 1972. Each school district owns a prorata share of each investment or deposit which is held in the name of the Fund. Certificates of deposit or other fixed-term investments purchased by the School District through the Fund's administrator are purchased in the name of the School District.

PHOENIXVILLE AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 3 - Deposits and Investments (Continued)

Interest Rate Risk - The District's investment policy requires the mitigation of interest rate risk as a means of managing its exposure to fair value losses arising from changing interest rates.

Credit Risk - The District's investment policy requires the mitigation of credit risk to ensure safety of principle.

Concentration of Credit Risk - The District places no limit on the amount the District may invest in any one issuer, as long as it is in accordance with the requirements of its investment policy. The District's investments are concentrated in Certificates of Deposit 10%, US Government Issues 6%, and investment savings accounts 84%.

The School District's investments at June 30, 2019 consisted of the following:

| | <u>Credit Rating</u> | <u>Fair Value</u> |
|---|----------------------|----------------------|
| <u>Pooled Investments:</u> | | |
| Pennsylvania School District Liquid Asset Fund: | | |
| General Fund Accounts | AAA | \$ 9,244,066 |
| Capital Projects Fund Accounts | AAA | 4,904,328 |
| Capital Reserve Fund Accounts | AAA | <u>2,780,299</u> |
| TOTAL | | <u>16,928,693</u> |
| | | |
| Pennsylvania Local Government Investment Trust: | | |
| General Fund Accounts | AAA | <u>64,522</u> |
| TOTAL POOLED INVESTMENTS | | <u>16,993,215</u> |
| <u>Other Investments:</u> | | |
| U.S. Government Securities: | | |
| General Fund Accounts (Market Value \$174,855) | AAA | 174,855 |
| Certificates of Deposit: | | |
| General Fund Accounts | Not Applicable | 1,275,398 |
| Phoenixville Public Library (Component Unit) | Not Applicable | <u>70,000</u> |
| TOTAL OTHER INVESTMENTS | | <u>1,520,253</u> |
| TOTAL INVESTMENTS | | <u>\$ 18,513,468</u> |

PHOENIXVILLE AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 4 - Taxes Receivable

| | <u>General</u> | <u>Other Funds</u> | <u>Total</u> |
|------------------------------------|--------------------------------|------------------------|--------------------------------|
| Real Estate Taxes | \$ 1,941,896 | \$ 0 | \$ 1,941,896 |
| Transfer Taxes | 121,362 | 0 | 121,362 |
| Earned Income Taxes | 299,400 | 0 | 299,400 |
| Personal Taxes | 4,718,430 | 0 | 4,718,430 |
| | <u>7,081,088</u> | <u>0</u> | <u>7,081,088</u> |
| Less: Allowance for Uncollectibles | <u>(943,686)</u> | <u>0</u> | <u>(943,686)</u> |
| NET TAXES RECEIVABLE | <u>\$ 6,137,402</u> | <u>\$ 0</u> | <u>\$ 6,137,402</u> |

At the end of the current fiscal year, the District reported deferred inflows of resources, related to unavailable real estate and earned income tax revenue, in the amount of \$5,154,023 in the governmental funds. In addition, the District reported unearned revenue in the amount of \$322,040 in the governmental funds.

NOTE 5 - Interfund Receivables, Payables and Transfers

| | <u>Interfund Receivables</u> | <u>Interfund Payables</u> |
|-----------------------|----------------------------------|-------------------------------|
| General Fund | \$ 719,303 | \$ 0 |
| Capital Projects Fund | 0 | 355,260 |
| Capital Reserve Fund | 0 | 364,043 |
| | <u>\$ 719,303</u> | <u>\$ 719,303</u> |

PHOENIXVILLE AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 6 - Capital Assets

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---|------------------------------|---------------------|---------------------|---------------------------|
| Governmental Activities: | | | | |
| Capital Assets: | | | | |
| Land | \$ 504,962 | \$ 0 | \$ 0 | \$ 504,962 |
| Land Improvements | 7,866,016 | 3,736,237 | 0 | 11,602,253 |
| Buildings | 195,440,751 | 342,176 | 0 | 195,782,927 |
| Construction in Progress | 2,410,824 | 3,712,193 | 3,723,198 | 2,399,819 |
| Furniture and Equipment | 23,352,836 | 607,263 | 0 | 23,960,099 |
| TOTAL CAPITAL ASSETS | <u>229,575,389</u> | <u>8,397,869</u> | <u>3,723,198</u> | <u>234,250,060</u> |
| Accumulated Depreciation for: | | | | |
| Land Improvements | 3,157,462 | 452,092 | 0 | 3,609,554 |
| Buildings | 43,993,126 | 4,578,485 | 0 | 48,571,611 |
| Furniture and Equipment | 19,067,757 | 1,001,510 | 0 | 20,069,267 |
| TOTAL ACCUMULATED DEPRECIATION | <u>66,218,345</u> | <u>6,032,087</u> | <u>0</u> | <u>72,250,432</u> |
| GOVERNMENTAL ACTIVITIES | | | | |
| CAPITAL ASSETS, NET | <u>\$ 163,357,044</u> | <u>\$ 2,365,782</u> | <u>\$ 3,723,198</u> | <u>\$ 161,999,628</u> |
| Business-Type Activities: | | | | |
| Capital Assets: | | | | |
| Machinery and Equipment | \$ 1,202,038 | \$ 29,686 | \$ 0 | \$ 1,231,724 |
| Accumulated Depreciation for: | | | | |
| Machinery and Equipment | 832,456 | 53,167 | 0 | 885,623 |
| BUSINESS-TYPE ACTIVITIES | | | | |
| CAPITAL ASSETS, NET | <u>\$ 369,582</u> | <u>\$ (23,481)</u> | <u>\$ 0</u> | <u>\$ 346,101</u> |

Depreciation expense was charged to functions/programs of the School District as follows:

| | |
|---------------------------------------|---------------------|
| Governmental Activities - Unallocated | \$ 6,032,087 |
| Business-Type Activities | <u>53,167</u> |
| TOTAL DEPRECIATION EXPENSE | <u>\$ 6,085,254</u> |

PHOENIXVILLE AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 7 - Long-Term Debt

| | Principal Outstanding July 1, 2018 | Maturities | Additions (Refinancing) | Principal Outstanding June 30, 2019 |
|---|--|---------------------------|----------------------------|---|
| General Obligation Note Series of 2000 | \$ 2,220,000 | \$ 705,000 | \$ 0 | \$ 1,515,000 |
| General Obligation Bonds Series A of 2009 | 900,000 | 860,000 | 0 | 40,000 |
| General Obligation Bonds Series of 2012 | 7,955,000 | 1,385,000 | 0 | 6,570,000 |
| General Obligation Bonds Series A of 2012 | 15,275,000 | 1,135,000 | 0 | 14,140,000 |
| General Obligation Bonds Series of 2013 | 7,600,000 | 510,000 | 0 | 7,090,000 |
| General Obligation Bonds Series A of 2014 | 9,240,000 | 610,000 | 0 | 8,630,000 |
| General Obligation Bonds Series A of 2015 | 9,930,000 | 25,000 | 0 | 9,905,000 |
| General Obligation Bonds Series B of 2015 | 9,855,000 | 35,000 | 0 | 9,820,000 |
| General Obligation Bonds Series C of 2015 | 7,720,000 | 20,000 | 0 | 7,700,000 |
| General Obligation Bonds Series D of 2015 | 8,710,000 | 130,000 | 0 | 8,580,000 |
| General Obligation Bonds Series of 2016 | 9,495,000 | 5,000 | 0 | 9,490,000 |
| General Obligation Bonds Series A of 2016 | 7,305,000 | 475,000 | 0 | 6,830,000 |
| General Obligation Bonds Series B of 2016 | 4,690,000 | 600,000 | 0 | 4,090,000 |
| General Obligation Bonds Series of 2017 | 8,710,000 | 5,000 | 0 | 8,705,000 |
| General Obligation Bonds Series A of 2017 | 6,275,000 | 60,000 | 0 | 6,215,000 |
| General Obligation Bonds Series AA of 2017 | 3,970,000 | 5,000 | 0 | 3,965,000 |
| General Obligation Bonds Series AAA of 2017 | 9,065,000 | 5,000 | 0 | 9,060,000 |
| General Obligation Bonds Series of 2018 | 9,995,000 | 5,000 | 0 | 9,990,000 |
| General Obligation Bonds Series of 2019 | 0 | 0 | 9,985,000 | 9,985,000 |
| | <u>138,910,000</u> | <u>6,575,000</u> | <u>9,985,000</u> | <u>142,320,000</u> |
| Less: Deferred Amounts: Issuance Premium (Discounts) | <u>4,014,688</u> | <u>(408,629)</u> | <u>12,224</u> | <u>3,618,283</u> |
| LONG-TERM DEBT | <u><u>\$142,924,688</u></u> | <u><u>\$6,166,371</u></u> | <u><u>\$ 9,997,224</u></u> | <u><u>\$145,938,283</u></u> |

PHOENIXVILLE AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 7 - Long-Term Debt (Continued)

| | <u>Current Outstanding Principal</u> |
|--|--|
| General Obligation Note, Series of 2000. Original principal amount of \$10,000,000, maturing through September 30, 2020. The note was advanced by Emmaus General Authority under the Bond Pool Program. Interest is charged at a variable rate equal to the Weekly Rate of the underlying bonds plus .53%. The rate at June 30, 2019 was .91%. | \$ 1,515,000 |
| General Obligation Bonds, Series A of 2009. Original principal amount of \$13,475,000, maturing through August 1, 2019, bearing interest from 2.0% to 3.5%. | 40,000 |
| General Obligation Bonds, Series of 2012. Original principal amount of \$15,275,000, maturing through May 15, 2024, bearing interest at 2.0% to 2.5%. | 6,570,000 |
| General Obligation Bonds, Series A of 2012. Original principal amount of \$25,400,000, maturing through May 15, 2031, bearing interest at 2.0% to 5.0%. | 14,140,000 |
| General Obligation Bonds, Series of 2013. Original principal amount of \$9,205,000, maturing through November 15, 2030, bearing interest at .25% to 4.0%. | 7,090,000 |
| General Obligation Bonds, Series A of 2014. Original principal amount of \$9,965,000, maturing through May 15, 2031, bearing interest at .50% to 5.0%. | 8,630,000 |
| General Obligation Bonds, Series A of 2015. Original principal amount of \$9,960,000, maturing through November 15, 2026, bearing interest at 1.0% to 3.0%. | 9,905,000 |
| General Obligation Bonds, Series B of 2015. Original principal amount of \$9,890,000, maturing through November 15, 2029, bearing interest at 1.75% to 3.0%. | 9,820,000 |
| General Obligation Bonds, Series C of 2015. Original principal amount of \$7,730,000, maturing through November 15, 2030, bearing interest at 2.0% to 2.8%. | 7,700,000 |
| General Obligation Bonds, Series D of 2015. Original principal amount of \$9,040,000, maturing through May 15, 2031, bearing interest at 2.0% to 4.0%. | 8,580,000 |
| General Obligation Bonds, Series of 2016. Original principal amount of \$9,500,000, maturing through November 15, 2032, bearing interest at 2.0% to 3.0%. | 9,490,000 |
| General Obligation Bonds, Series A of 2016. Original principal amount of \$7,630,000, maturing through November 15, 2030, bearing interest at 2.0% to 4.0%. | 6,830,000 |
| General Obligation Bonds, Series B of 2016. Original principal amount of \$5,870,000, maturing through August 15, 2024, bearing interest at 0.85% to 4.0%. | 4,090,000 |
| General Obligation Bonds, Series of 2017. Original principal amount of \$8,710,000, maturing through August 1, 2033, bearing interest at 2.0% to 3.5%. | 8,705,000 |
| General Obligation Bonds, Series A of 2017. Original principal amount of \$6,275,000, maturing through August 1, 2024, bearing interest at 1.45% to 2.35%. | <u>6,215,000</u> |
| TOTAL (BROUGHT FORWARD) | <u>\$109,320,000</u> |

PHOENIXVILLE AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 7 - Long-Term Debt (Continued)

| | <u>Current Outstanding Principal</u> |
|---|--|
| TOTAL (CARRIED FORWARD) | \$109,320,000 |
| General Obligation Bonds, Series AA of 2017. Original principal amount of \$3,970,000, maturing through November 15, 2022, bearing interest at 0.9% to 5.0%. | 3,965,000 |
| General Obligation Bonds, Series AAA of 2017. Original principal amount of \$9,065,000, maturing through November 15, 2030, bearing interest at 0.9% to 3.0%. | 9,060,000 |
| General Obligation Bonds, Series of 2018. Original principal amount of \$9,995,000, maturing through May 15, 2035, bearing interest at 2.15% to 3.1%. | 9,990,000 |
| General Obligation Bonds, Series of 2019. Original principal amount of \$9,985,000, maturing through February 15, 2036, bearing interest at 2.5% to 3.5%. | <u>9,985,000</u> |
| TOTAL | <u>\$ 142,320,000</u> |

The annual requirements to amortize all debts outstanding as of June 30, 2019 are as follows:

| <u>Year Ended:</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|-----------------------|---------------------|----------------------|
| 2020 | \$ 6,955,000 | \$ 4,120,028 | \$ 11,075,028 |
| 2021 | 7,185,000 | 3,893,464 | 11,078,464 |
| 2022 | 7,355,000 | 3,679,527 | 11,034,527 |
| 2023 | 7,580,000 | 3,458,730 | 11,038,730 |
| 2024 | 7,785,000 | 3,263,011 | 11,048,011 |
| 2025-2029 | 42,225,000 | 12,966,795 | 55,191,795 |
| 2030-2034 | 48,540,000 | 6,435,022 | 54,975,022 |
| 2035-2036 | <u>14,695,000</u> | <u>651,285</u> | <u>15,346,285</u> |
| TOTAL MATURITIES | <u>\$ 142,320,000</u> | <u>\$38,467,862</u> | <u>\$180,787,862</u> |

NOTE 8 - Defeased Bonds

On July 11, 2017, the School District issued \$3,970,000 of non-electoral general obligation bonds. Upon issuance of the bonds, a portion of the proceeds were invested in U.S. General Investments which are held in trust by an escrow agent and irrevocable pledged for the purpose of defeasing (paying and redeeming), solely from the principal and interest proceeds of such investments, a portion of the School District's General Obligation Bonds, Series A of 2012. The bonds to be advance refunded are the bonds maturing on May 15 of each year up until the bond is partially refunded on the optional redemption date of November 15, 2020. The proceeds of the investments, together with the interest to be earned thereon, will be sufficient to pay interest and principal of these bond issues through the call dates of the outstanding bonds. The School District advance refunded the Series A of 2012 Bonds to reduce its total debt service payments by \$208,503 and to recognize a present value economic gain at settlement of \$163,810. Defeased bonds are no longer outstanding under the Pennsylvania Local Government Unit Debt Act. The escrow accounts assets and the liabilities for the defeased debt are not included in the District's financial statements. As of June 30, 2019, the outstanding defeased debt related to the General Obligation Bonds, Series A of 2012 was \$3,955,000.

PHOENIXVILLE AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 9 - Changes in Other Long-Term Liabilities

| | Balance July 1, 2018 | Additions | Reductions | Balance June 30, 2019 |
|---------------------------------|----------------------------|-------------------|-------------|-----------------------------|
| Accrued Vacation | \$ 262,869 | \$ 290,302 | \$ 0 | \$ 553,171 |
| Accrued Severance and Sick Days | 1,210,587 | 147,229 | 0 | 1,357,816 |
| TOTAL | \$ 1,473,456 | \$ 437,531 | \$ 0 | \$ 1,910,987 |

NOTE 10 - Property Tax

Property taxes attach as an enforceable lien on property as of February 1. Taxes are levied on July 1 and payable in the following periods:

Discount Period - July 1 to August 31 - 2% of Gross Levy
 Flat Period - September 1 to October 31
 Penalty Period - November 1 to Collection - 10% of Gross Levy
 Lien Date - January 15

The following is a detail analysis of current year tax revenues:

| | |
|---|----------------------|
| Assessed Valuation, Adjusted by | |
| Authorized Revisions | \$ 2,062,889,876 |
| Approved Tax Rate in Mills | 30.520 |
| GROSS LEVY | <u>62,959,399</u> |
| Plus Penalties Applied | 119,235 |
| Deductions: | |
| Discounts | (1,065,724) |
| Assessment Changes and Exonerations | (263,764) |
| State Property Tax Reduction Allocation | (1,329,119) |
| Taxes Receivable | (1,448,675) |
| NET CURRENT YEAR PROPERTY TAX REVENUE | <u>\$ 58,971,352</u> |

PHOENIXVILLE AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 11 - Other Post-Employment Benefits

Plan Description

The School District provides health benefits, which includes medical, prescription, dental, and vision benefits, as a post-employment benefit to those retirees and their spouses, who meet the qualifying criteria. The health insurance plan is a single employer, defined benefit OPEB plan. Life insurance is also provided to specific groups.

The School District has the following groups of employees: teachers, administrators, confidentials, and support staff, both union and non-union. The eligibility and duration of post-retirement benefits for these groups are defined in either a Collective Bargaining Agreement or Compensation Agreement. Otherwise, they may still qualify for benefits subject to Acts 110 and 43.

The medical, prescription drug, dental and vision benefits are self-insured. Medical and prescription benefits are administered by Independence Blue Cross. The dental and vision benefits are through School Claims Services.

Funding Policy

A retiree may elect to continue his/her current benefit coverage. The amount that the retiree must pay towards health benefits is defined in either a Collective Bargaining Agreement or Compensation Agreement. The School District is responsible for funding the balance of the benefits.

As of June 30, 2019, the School District has no segregated assets to fund this liability. It is the intention of the School District to pay claims as they are incurred.

Actuarial Methods and Assumptions

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of the valuation and on the pattern of sharing of costs between the employer and plan members to that point. Calculations reflect a long-term perspective, so methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. In the July 1, 2019 actuarial valuation, the following actuarial assumptions were used:

| | |
|-----------------------|--|
| Discount Rate | 2.98% |
| Actuarial Cost Method | Entry Age Normal |
| Salary Increases | An assumption for salary increases is used only for spreading contributions over future pay under the entry age normal cost method. For this purpose, salary increases are composed of a 2.5% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75 to 0% |

PHOENIXVILLE AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 11 - Other Post-Employment Benefits (Continued)

Annual OPEB Cost and NET OPEB Liability:

The District's annual other Post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities over a period not to exceed 13 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan and the changes in the District's OPEB liability.

| | |
|--|-------------------------|
| Net OPEB Liability: | |
| Balance as of July 1, 2018 | \$ 4,001,932 |
| Service Cost | 240,015 |
| Interest Expense | 128,983 |
| Differences Between Expected and Actual Experience | (821,771) |
| Changes in Assumptions | (44,904) |
| Benefit Payments | <u>(223,542)</u> |
| NET OPEB LIABILITY AS OF JUNE 30, 2019 | <u>\$ 3,280,713</u> |

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate

The following presents the net OPEB liability, calculated using the discount rate of 2.98%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.98%) or 1-percentage point higher (3.98%) than the current rate:

| | <u>1% Decrease</u> 1.98% | <u>Current</u> <u>Discount</u> <u>Rate</u> 2.98% | <u>1% Increase</u> 3.98% |
|--------------------|-----------------------------|---|-----------------------------|
| Net OPEB Liability | \$ 3,564,758 | \$ 3,280,713 | \$ 3,013,974 |

Sensitivity of the District's proportionate share of the net pension liability to changes in the healthcare cost trend rates

The following presents the net OPEB liability, calculated using the healthcare cost trend rate of 5.5%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (4.5%) or 1-percentage point higher (6.5%) than the current rate:

| | <u>1% Decrease</u> 4.5% | <u>Current</u> <u>Rate</u> 5.5% | <u>1% Increase</u> 6.5% |
|--------------------|----------------------------|---------------------------------------|----------------------------|
| Net OPEB Liability | \$ 2,980,760 | \$ 3,280,713 | \$ 3,642,419 |

PHOENIXVILLE AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 11 - Other Post-Employment Benefits (Continued)

For the year ended June 30, 2019, the District recognized OPEB expense of \$343,716. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to net OPEB liability from the following sources:

| | <u>Deferred Outflows Of Resources</u> | <u>Deferred Inflows Of Resources</u> |
|---|---|--|
| Differences Between Expected and Actual Experience | \$ 0 | \$ 763,073 |
| Changes in Assumptions | 0 | 54,026 |
| Benefit payments subsequent to the measurement date | <u>105,351</u> | <u>0</u> |
| | <u>\$ 105,351</u> | <u>\$ 817,099</u> |

The deferred outflows of resources related to the OPEB liability resulting from District contributions subsequent to the measurement date of \$105,351 will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

Year ended June 30:

| | |
|------------|-------------------|
| 2020 | \$ 63,026 |
| 2021 | 63,026 |
| 2022 | 63,026 |
| 2023 | 63,026 |
| 2024 | 63,026 |
| Thereafter | <u>501,969</u> |
| Total | <u>\$ 817,099</u> |

NOTE 12 - Employee Retirement Systems and Pension Plans

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS) and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms investments are reported at fair value.

PHOENIXVILLE AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 12 - Employee Retirement Systems and Pension Plans (Continued)

Plan Description

PSERS is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.state.pa.us.

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members) or who has at least five years of credited service (ten years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

PHOENIXVILLE AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 12 - Employee Retirement Systems and Pension Plans (Continued)

Member Contributions

1. Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.
2. Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.
3. Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.
4. Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

Employer Contributions

The school districts' contractually required contribution rate for fiscal year ended June 30, 2019 was 32.60% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$11,668,554 for the year ended June 30, 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the District reported a liability of \$126,829,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2017 to June 30, 2018. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2019, the District's proportion was .2642%, which was an increase of .048% from its proportion measured as of June 30, 2018.

PHOENIXVILLE AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 12 - Employee Retirement Systems and Pension Plans (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

For the year ended June 30, 2019, the District recognized pension expense of \$15,652,000. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows Of Resources</u> | <u>Deferred Inflows Of Resources</u> |
|--|---|--|
| Difference between expected and actual experience | \$ 1,021,000 | \$ 1,963,000 |
| Changes in assumptions | 2,363,000 | 0 |
| Net difference between projected and actual investment | | |
| Earnings | 622,000 | 0 |
| Changes in proportions | 10,201,000 | 6,622,000 |
| Difference between employer contributions and proportionate share of total contributions | 0 | 0 |
| Contributions subsequent to the measurement date | <u>11,668,554</u> | <u>0</u> |
| TOTAL | <u>\$ 25,875,554</u> | <u>\$ 8,585,000</u> |

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date of \$11,668,554 will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

| <u>Year ending June 30:</u> | |
|-----------------------------|---------------------|
| 2019 | \$ 4,956,000 |
| 2020 | 3,344,000 |
| 2021 | (2,194,000) |
| 2022 | <u>(484,000)</u> |
| TOTAL | <u>\$ 5,622,000</u> |

Actuarial Assumptions

The total pension liability as of June 30, 2018 was determined by rolling forward the System's total pension liability as of June 30, 2017 to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial Cost Method (Entry Age Normal) - level % of pay.
- Investment Return - 7.25% (includes inflation of 2.75%).
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

PHOENIXVILLE AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 12 - Employee Retirement Systems and Pension Plans (Continued)

Actuarial Assumptions (Continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2015.

The long-term expected rate of return on pension 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.

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-------------------------|------------------------------|---|
| Global public equity | 20.0% | 5.1% |
| Fixed income | 36.0% | 2.6% |
| Commodities | 8.0% | 3.0% |
| Absolute return | 10.0% | 3.4% |
| Risk parity | 10.0% | 3.8% |
| Infrastructure/MLPs | 8.0% | 4.8% |
| Real estate | 10.0% | 3.6% |
| Alternative investments | 15.0% | 6.2% |
| Cash | 3.0% | 0.6% |
| Financing (LIBOR) | (20.0%) | 1.1% |
| | <u>100%</u> | |

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2018.

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

PHOENIXVILLE AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 12 - Employee Retirement Systems and Pension Plans (Continued)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

| | 1% Decrease 6.25% | Current Discount Rate 7.25% | 1% Increase 8.25% |
|--|----------------------|-----------------------------------|----------------------|
| District's Proportionate Share of the Net Pension Liability | \$ 157,214,000 | \$ 126,829,000 | \$ 101,138,000 |

Pension Plan Fiduciary Net Position

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System's website at www.psers.state.pa.us.

NOTE 13 - Other Post-Employment Benefits (PSERS)

Health Insurance Premium Assistance Program

PSERS provides premium assistance which, is a governmental cost sharing, multiple-employer OPEB plan for all eligible retirees who qualify and elect to participate. Employer contribution rates for premium assistance are established to provide reserves in the health insurance account that are sufficient for the payment of health insurance premium assistance benefits for each succeeding year. Effective January 1, 2002 under the provision of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' health options program. As of June 30, 2018, there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

Retirees of PSERS can participate in the health insurance premium assistance program if they satisfy the following criteria:

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the PSERS' health options program or employer-sponsored health insurance program

PHOENIXVILLE AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 13 - Other Post-Employment Benefits (PSERS) (Continued)

Plan Description

PSERS is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.state.pa.us.

Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' health options program. As of June 30, 2018, there were no assumed future benefit increases to participating eligible retirees.

Employer Contributions

The District's contractually required contribution rate for the fiscal year ended June 30, 2019 was 0.83% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$297,082 for the year ended June 30, 2019.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (PSERS)

At June 30, 2019, the District reported a liability of \$5,508,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward PSERS' total OPEB liability as of June 30, 2017 to June 30, 2018. The District's proportion of the net OPEB liability was calculated utilizing the employer's one year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2019, the District's proportion was .2642%, which was an increase of .048% from its proportion measured as of June 30, 2018.

PHOENIXVILLE AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 13 - Other Post-Employment Benefits (PSERS) (Continued)

For the year ended June 30, 2019, the District recognized OPEB expense of \$217,000. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | <u>Deferred Outflows Of Resources</u> | <u>Deferred Inflows Of Resources</u> |
|---|---|--|
| Difference between expected and actual experience | \$ 34,000 | \$ 0 |
| Changes in assumptions | 87,000 | 209,000 |
| Net difference between projected and actual investment | | |
| Earnings | 9,000 | 0 |
| Changes in proportions | 221,000 | 374,000 |
| Difference between employer contributions and proportionate share of total contributions | 0 | 0 |
| Contributions subsequent to the measurement date | 297,082 | 0 |
| | <u>\$ 648,082</u> | <u>\$ 583,000</u> |

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (PSERS) (Continued)

The deferred outflows of resources related to OPEB - PSERS resulting from District contributions subsequent to the measurement date of \$297,082 will be recognized as a reduction of the net OPEB - PSERS liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB - PSERS pensions will be recognized in the OPEB - PSERS expense as follows:

Year ended June 30:

| | |
|------------|---------------------|
| 2019 | \$ (57,000) |
| 2020 | (57,000) |
| 2021 | (57,000) |
| 2022 | (58,000) |
| 2023 | (60,000) |
| Thereafter | 57,000 |
| Total | <u>\$ (232,000)</u> |

PHOENIXVILLE AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 13 - Other Post-Employment Benefits (PSERS) (Continued)

Actuarial Assumptions

The OPEB liability as of June 30, 2018, was determined by rolling forward the PSERS' OPEB liability as of June 30, 2017 to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - entry age normal - level % of pay.
- Investment return - 2.98% - Standard & Poor's 20 year municipal bond rate.
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Premium assistance reimbursement is capped at \$1,200 per year.
- Assumed healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 mortality tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 mortality improvement scale.

Participation rate:

- Eligible retirees will elect to participate per age 65 at 50%
- Eligible retiree will elect to participate post age 65 at 70%

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2016 determined the employer contribution rate for fiscal year 2018.
- Cost method - amount necessary to assure solvency of premium assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 combined healthy annuitant tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 combined disabled tables with age set back 7 years for males and 3 years for females and disabled annuitants. (A unisex table based on the RP-2000 combined healthy annuitant tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

Investments consist primarily of short term assets designed to protect the principal of the OPEB plan assets. The expected rate of return on OPEB plan investments was determined using the OPEB asset allocation policy and best estimates of geometric real rates of return for each asset class.

PHOENIXVILLE AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 13 - Other Post-Employment Benefits (PSERS) (Continued)

Actuarial Assumptions (Continued)

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the program, as defined in the retirement code employer contribution rates for health insurance premium assistance are established to provide reserves in the health insurance account that are sufficient for the payment of health insurance premium assistance benefits for each succeeding year.

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|------------------------|--------------------------|---|
| Cash | 5.90% | 0.03% |
| U.S. Core Fixed Income | 92.80% | 1.20% |
| Non-U.S. Fixed Income | 1.30% | 0.40% |
| | <u>100.00%</u> | |

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2018.

Discount Rate

The discount rate used to measure the OPEB liability was 2.98%. Under the plan's funding policy, contributions are structured for short term funding of health insurance premium assistance. The funding policy sets contribution rates necessary to assure solvency of health insurance premium assistance through the third fiscal year after the actuarial valuation date. The health insurance premium assistance account is funded to establish reserves that are sufficient for the payment of health insurance premium assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the OPEB plan is considered a "pay-as-you-go" plan. A discount rate of 2.98% which represents the Standard & Poor's 20 year municipal bond rate at June 30, 2018, was applied to all projected benefit payments to measure the total OPEB liability.

Sensitivity of the District's proportionate share of the net OPEB - PSERS liability to changes in the healthcare cost trend rates

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual premium assistance. As of June 30, 2018, retiree's premium assistance benefits are not subject to future healthcare cost increases. The annual premium assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2017, 93,380 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2017, 1,077 members were receiving less than the maximum allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on healthcare cost trends as depicted below.

PHOENIXVILLE AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 13 - Other Post-Employment Benefits (PSERS) (Continued)

Sensitivity of the District's proportionate share of the net OPEB - PSERS liability to changes in the healthcare cost trend rates (Continued)

The following presents the net OPEB liability for June 30, 2018, calculated using current healthcare cost trends as well as what net OPEB liability would be if health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

| | <u>1% Decrease</u> | <u>Current Rate</u> | <u>1% Increase</u> |
|----------------------------|--------------------|-------------------------|--------------------|
| Net OPEB Liability - PSERS | \$ 5,507,000 | \$ 5,508,000 | \$ 5,509,000 |

Sensitivity of the District's proportionate share of the net OPEB - PSERS liability to changes in the discount rate

The following presents the net OPEB liability, calculated using the healthcare cost trend rate of 2.98%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.98%) or 1-percentage point higher (3.98%) than the current rate:

| | <u>1% Decrease 2.13%</u> | <u>Current Rate 3.13%</u> | <u>1% Increase 4.13%</u> |
|----------------------------|------------------------------|-----------------------------------|------------------------------|
| Net OPEB Liability - PSERS | \$ 6,264,000 | \$ 5,508,000 | \$ 4,881,000 |

NOTE 14 - Contingent Liabilities

During the year, a District taxpayer remitted their current year real estate tax payment under protest, citing claims that the taxpayer is a non-profit entity entitled to tax exemption. The taxpayer appealed their current taxable status to the Chester County Board of Tax Assessment, which was denied. The taxpayer has now appealed to the Chester County Court of Common Pleas. This matter is in the early stages of litigation. Outside counsel for the District has advised that at this stage in the proceedings, they cannot offer an opinion as to the probable outcome. If the taxpayer succeeds in the litigation, the District would be obligated to refund the tax amount of \$990,573, plus interest.

PHOENIXVILLE AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 15 - Deficit Net Position

A deficit of \$86,736,536 exists in the District's Governmental Activities net position as of June 30, 2019. The deficit is a result of the District's adoption of Government Accounting Standards Board Statement No. 68 *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*, as well as Government Accounting Standards Board Statement No.75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

NOTE 16 - Fund Balances - General Fund

| | | |
|--|--|-------------------------|
| Nonspendable: | | |
| Prepaid Expenses | | \$ 235,864 |
| Committed: | | |
| Future PSERS Obligations | | 343,000 |
| Assigned: | | |
| Future Health Claims | | 1,127,025 |
| Unassigned | | <u>5,910,299</u> |
| TOTAL FUND BALANCES - GENERAL FUND | | <u>\$ 7,616,188</u> |

NOTE 17 - Subsequent Events

The District has evaluated subsequent events through February 20, 2020, which represents the date the financial statements were available to be issued.

PHOENIXVILLE AREA SCHOOL DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2019

| | Original Budget | Amended Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|---------------------|---------------------|---------------------|--|
| Revenues: | | | | |
| Local Revenues | \$ 73,680,412 | \$ 73,680,412 | \$ 73,580,063 | \$ (100,349) |
| State Program Revenues | 16,967,940 | 16,967,940 | 17,432,733 | 464,793 |
| Federal Program Revenues | 680,000 | 680,000 | 1,441,736 | 761,736 |
| TOTAL REVENUES | <u>91,328,352</u> | <u>91,328,352</u> | <u>92,454,532</u> | <u>1,126,180</u> |
| Expenditures: | | | | |
| Regular Programs | 37,641,350 | 37,641,350 | 39,605,217 | (1,963,867) |
| Special Programs | 14,155,151 | 14,155,151 | 13,258,749 | 896,402 |
| Vocational Programs | 995,000 | 995,000 | 997,002 | (2,002) |
| Other Instructional Programs | 80,000 | 80,000 | 51,408 | 28,592 |
| Pupil Personnel Services | 3,878,468 | 3,878,468 | 3,901,909 | (23,441) |
| Instructional Staff Services | 1,916,083 | 1,916,083 | 1,766,963 | 149,120 |
| Administrative Services | 4,560,096 | 4,560,096 | 4,369,065 | 191,031 |
| Pupil Health | 813,022 | 813,022 | 763,124 | 49,898 |
| Business Services | 746,241 | 746,241 | 937,940 | (191,699) |
| Operation and Maintenance of | | | | |
| Plant Services | 6,223,676 | 6,223,676 | 6,250,853 | (27,177) |
| Student Transportation Services | 4,837,655 | 4,837,655 | 4,774,399 | 63,256 |
| Central and Other Support Services | 2,099,441 | 2,099,441 | 2,127,467 | (28,026) |
| Student Activities | 1,875,133 | 1,875,133 | 2,100,909 | (225,776) |
| Community Services | 63,000 | 63,000 | 85,330 | (22,330) |
| Debt Service | 10,654,844 | 10,654,844 | 10,672,444 | (17,600) |
| TOTAL EXPENDITURES | <u>90,539,160</u> | <u>90,539,160</u> | <u>91,662,779</u> | <u>(1,123,619)</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>789,192</u> | <u>789,192</u> | <u>791,753</u> | <u>2,561</u> |
| Other Financing Sources (Uses): | | | | |
| Interfund Transfers Out | (164,887) | (164,887) | 0 | 164,887 |
| Transfer - Component Unit | (567,305) | (567,305) | (567,305) | 0 |
| Budgetary Reserve | (400,000) | (400,000) | 0 | 400,000 |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(1,132,192)</u> | <u>(1,132,192)</u> | <u>(567,305)</u> | <u>564,887</u> |
| NET CHANGE IN FUND BALANCE | <u>(343,000)</u> | <u>(343,000)</u> | <u>224,448</u> | <u>567,448</u> |
| Fund Balance - July 1, 2018 | <u>8,372,422</u> | <u>8,372,422</u> | <u>7,391,740</u> | <u>(980,682)</u> |
| FUND BALANCE - JUNE 30, 2019 | <u>\$ 8,029,422</u> | <u>\$ 8,029,422</u> | <u>\$ 7,616,188</u> | <u>\$ (413,234)</u> |

PHOENIXVILLE AREA SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2019

| <u>Year Ended</u> | <u>District's Proportion of the Net Pension Liability (Asset)</u> | <u>District's Proportionate Share of the Net Pension Liability (Asset)</u> | <u>District's Covered Payroll</u> | <u>Net Pension Liability (Asset) as a Percentage of Covered Payroll</u> | <u>Fiduciary Net Position as a Percentage of the Total Pension Liability</u> |
|-------------------|---|--|-----------------------------------|---|--|
| June 30, 2014 | 0.2411% | \$95,429,000 | \$30,764,754 | 310.19% | -61.47% |
| June 30, 2015 | 0.2444% | 105,863,000 | 31,447,923 | 336.63% | -57.76% |
| June 30, 2016 | 0.2764% | 136,975,000 | 35,794,728 | 382.67% | -63.32% |
| June 30, 2017 | 0.2521% | 124,508,000 | 33,567,250 | 370.92% | -69.66% |
| June 30, 2018 | 0.2642% | 126,829,000 | 35,577,213 | 356.49% | -68.39% |

PHOENIXVILLE AREA SCHOOL DISTRICT
Schedule of the District's Pension Contributions
For the Year Ended June 30, 2019

| <u>Year Ended</u> | <u>Contractually Required Contribution</u> | <u>Contributions in Relation to the Contractually Required Contribution</u> | <u>Contribution Excess/ (Deficiency)</u> | <u>District's Covered Payroll</u> | <u>Contributions as a Percentage of Covered Payroll</u> |
|-------------------|--|---|--|-----------------------------------|---|
| June 30, 2013 | \$3,627,762 | (\$3,627,762) | \$0 | \$29,804,494 | 12.17% |
| June 30, 2014 | 4,803,000 | (4,803,000) | 0 | 30,764,754 | 15.61% |
| June 30, 2015 | 6,311,000 | (6,311,000) | 0 | 31,447,923 | 20.07% |
| June 30, 2016 | 8,793,000 | (8,793,000) | 0 | 35,794,728 | 24.57% |
| June 30, 2017 | 9,643,000 | (9,643,000) | 0 | 33,567,250 | 28.73% |
| June 30, 2018 | 11,211,000 | (11,211,000) | 0 | 35,577,213 | 31.51% |

PHOENIXVILLE AREA SCHOOL DISTRICT
Schedule of Changes in Net OPEB Liability and Related Ratios (Unaudited)
For the Year Ended June 30, 2019

| | | |
|---|----|--------------------------|
| Total OPEB Liability: | | |
| Service Cost | \$ | 240,015 |
| Interest | | 128,983 |
| Changes of Benefit Terms | | 0 |
| Differences Between Expected and Actual Experience | | (821,771) |
| Changes of Assumptions | | (44,904) |
| Benefit Payments | | (223,542) |
| NET CHANGE IN TOTAL PENSION LIABILITY | | <u>(721,219)</u> |
| Total Net OPEB Liability - Beginning | \$ | <u>4,001,932</u> |
| TOTAL NET OPEN LIABILITY - ENDING | \$ | <u><u>3,280,713</u></u> |
| | | |
| Covered Employee Payroll | \$ | <u><u>30,576,573</u></u> |
| | | |
| Net OPEB Liability as a Percentage of Covered Employee Payroll | | <u><u>10.73%</u></u> |

PHOENIXVILLE AREA SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the OPEB - PSERS Liability
For the Year Ended June 30, 2019

| <u>Year Ended</u> | <u>District's Proportion of the Net OPEB - PSERS Liability (Asset)</u> | <u>District's Proportionate Share of the Net OPEB - PSERS Liability (Asset)</u> | <u>District's Covered Payroll</u> | <u>Net OPEB - PSERS Liability (Asset) as a Percentage of Covered Payroll</u> | <u>Fiduciary Net Position as a Percentage of the Total OPEB - PSERS Liability</u> |
|-------------------|--|---|-----------------------------------|--|---|
| June 30, 2017 | 0.2521% | \$ 5,136,000 | \$ 33,567,250 | 15.30% | -1624.05% |
| June 30, 2018 | 0.2642% | \$ 5,508,000 | \$ 35,577,213 | 15.48% | -1574.74% |

PHOENIXVILLE AREA SCHOOL DISTRICT
Schedule of the District's OPEB - PSERS Contributions
For the Year Ended June 30, 2019

| <u>Year Ended</u> | <u>Contractually Required Contribution</u> | <u>Contributions in Relation to the Contractually Required Contribution</u> | <u>Contribution Excess/ (Deficiency)</u> | <u>District's Covered Payroll</u> | <u>Contributions as a Percentage of Covered Payroll</u> |
|-------------------|--|---|--|-----------------------------------|---|
| June 30, 2017 | \$ 297,781 | \$ (297,781) | \$ 0 | \$ 33,567,250 | 0.89% |
| June 30, 2018 | \$ 295,000 | \$ (295,000) | \$ 0 | \$ 35,577,213 | 0.83% |