

Financial Statements

Phoenixville Area School District

June 30, 2018

Rainer
& Company

A Professional Corporation
Certified Public Accountants



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A Professional Corporation
Certified Public Accountants
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, 2018, 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 (\$73,977,845) and total net position for the Phoenixville Public Library was \$1,425,903. 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.



In our opinion, based on our report 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, 2018, 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 49, the schedule of the District's proportionate share of the net pension liability on page 50, the schedule of District's pension contributions on page 51, and the schedule of changes in Net OPEB liability and related ratios on page 52 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 January 3, 2019, 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.

A handwritten signature in black ink that reads 'Rainer + Company'.

Rainer & Company

Newtown Square, PA
January 3, 2019

PHOENIXVILLE AREA SCHOOL DISTRICT
Management's Discussion and Analysis
June 30, 2018

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, 2018. 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 .42 mill increase (\$.42 per \$1,000 of assessed value) to the taxpayers.
- The District's unassigned fund balance (including nonspendable fund balance) for the General Fund is \$5,921,715 (6.6% of budgeted expenditures), which is just under the state maximum. The district also has \$1,470,025 nonspendable, committed, and assigned for future benefit increases (PSERS and Health Care). These factors are a major reason why the District has an Aa2 (Moody's) credit rating.
- The District's General Fund revenues increased by \$2,638,154. 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 \$2,451,753, an increase of 2.8%.
- Transfers to other funds and the library were \$1,304,796.

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 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 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, 2018

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 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, 2018

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 \$77,235,906 at June 30, 2018. Net position (deficit) for governmental activities as of July 1, 2017 was restated as a result of the District's adoption of Government Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The statement required the adjustment of the net OPEB obligation for the government wide statements. The effect of the restatement was to reduce District-wide net position (deficit) as of July 1, 2017 by \$3,258,061. The following table presents condensed financial information for the net position deficit of the District as of June 30, 2018 and June 30, 2017.

Schedule of Net Position (Deficit)
For the Years Ended June 30, 2018 and 2017

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current Assets	\$ 22,469,322	\$ 24,657,509	\$ 184,652	\$ 186,829	\$ 22,653,974	\$ 24,844,338
Capital Assets	163,357,044	160,419,924	369,582	406,050	163,726,626	160,825,974
Deferred Outflows of Resources	28,787,539	36,453,156	0	0	28,787,539	36,453,156
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	214,613,905	221,530,589	554,234	592,879	215,168,139	222,123,468
Current Liabilities	16,278,558	16,797,960	196,961	202,776	16,475,519	17,000,736
Noncurrent Liabilities	266,333,076	271,418,187	0	0	266,333,076	271,418,187
Deferred Inflows of Resources	9,595,450	1,141,000	0	0	9,595,450	1,141,000
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	292,207,084	289,357,147	196,961	202,776	292,404,045	289,559,923
Net Position (Deficit):						
Invested in Capital Assets, Net of Related Debt	18,726,673	20,867,156	369,582	406,050	19,096,255	21,273,206
Restricted for: Capital Projects	2,412,534	2,577,574	0	0	2,412,534	2,577,574
Unrestricted (Deficit)	(98,732,386)	(91,271,288)	(12,309)	(15,947)	(98,744,695)	(91,287,235)
TOTAL NET POSITION (DEFICIT)	\$ (77,593,179)	\$ (67,826,558)	\$ 357,273	\$ 390,103	\$ (77,235,906)	\$ (67,436,455)

The restricted net position in the amount of \$2,412,534 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, 2018

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 \$2,782,189. The net increase in revenue in fiscal year 2018 compared to fiscal year 2017 is primarily due to the increase receipts from business activities. Expenses increased by \$2,619,266, primarily due to increases in instruction expenses and student activities.

Statement of Activities
For the Years Ended June 30, 2018 and 2017

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
REVENUES:						
Program Services:						
Charges for Services	\$ 252,393	\$ 302,977	\$ 809,919	\$ 792,288	\$ 1,062,312	\$ 1,095,265
Operating Grants and Contributions	14,014,785	13,268,675	701,493	665,486	14,716,278	13,934,161
General Revenues:						
Property Taxes	58,973,426	58,154,695	0	0	58,973,426	58,154,695
Other Taxes	10,896,376	10,255,683	0	0	10,896,376	10,255,683
Grants, Subsidies and Contributions Not Restricted	4,793,249	4,634,324	0	0	4,793,249	4,634,324
Investment Earnings	338,849	255,582	1,505	0	340,354	255,582
Other Revenue	868,442	538,538	0	0	868,442	538,538
TOTAL REVENUES	90,137,520	87,410,474	1,512,917	1,457,774	91,650,437	88,868,248
EXPENSES:						
Instruction	54,665,920	55,781,322	0	0	54,665,920	55,781,322
Support Services	6,407,518	7,134,383	0	0	6,407,518	7,134,383
Administration and Financial Support	8,431,323	8,075,307	0	0	8,431,323	8,075,307
Operation and Maintenance of Plant Services	8,426,396	7,058,562	0	0	8,426,396	7,058,562
Pupil Transportation	4,855,895	4,660,025	0	0	4,855,895	4,660,025
Student Activities	2,089,076	2,018,329	0	0	2,089,076	2,018,329
Community Services	68,961	51,036	0	0	68,961	51,036
Interest on Long-Term Debt	4,971,899	4,274,499	0	0	4,971,899	4,274,499
Unallocated Depreciation Expense	6,152,942	4,479,102	0	0	6,152,942	4,479,102
Food Services	0	0	1,554,592	1,472,691	1,554,592	1,472,691
TOTAL EXPENSES	96,069,930	93,532,565	1,554,592	1,472,691	97,624,522	95,005,256
Transfers In (Out)	(576,150)	(556,331)	8,845	1,027	(567,305)	(555,304)
CHANGE IN NET POSITION	\$ (6,508,560)	\$ (6,678,422)	\$ (32,830)	\$ (13,890)	\$ (6,541,390)	\$ (6,692,312)

PHOENIXVILLE AREA SCHOOL DISTRICT
Management's Discussion and Analysis
June 30, 2018

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 increased by \$1,702,733, or 2.24% more than the prior year.

Expense Analysis
For the Years Ended June 30, 2018 and 2017

	Total Cost of Services		Net Cost of Services	
	2018	2017	2018	2017
Expenses - Governmental Activities:				
Instruction	\$ 54,665,920	\$ 55,781,322	\$ 43,008,237	\$ 44,758,365
Support Services	6,407,518	7,134,383	6,329,922	7,058,554
Administration and Financial Support	8,431,323	8,075,307	8,431,323	8,075,307
Operation and Maintenance of				
Plant Services	8,426,396	7,058,562	7,303,380	5,985,547
Pupil Transportation	4,855,895	4,660,025	3,540,422	3,363,047
Student Activities	2,089,076	2,018,329	1,995,666	1,915,456
Community Services	68,961	51,036	68,961	51,036
Interest on Long-Term Debt	4,971,899	4,274,499	4,971,899	4,274,499
Unallocated Depreciation Expense	6,152,942	4,479,102	6,152,942	4,479,102
Transfers	576,150	556,331	576,150	556,331
TOTAL EXPENSES	\$ 96,646,080	\$ 94,088,896	82,378,902	80,517,244
Less: Grants, Subsidies and Contributions Not Restricted			(4,793,249)	(4,634,324)
AMOUNT NEEDED TO BE FUNDED BY OTHER REVENUE SOURCES			\$ 77,585,653	\$ 75,882,920

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, 2018 and 2017

	Total Cost of Services		Net Cost of Services	
	2018	2017	2018	2017
Expenses - Business-Type Activities:				
Food Services	\$ 1,554,592	\$ 1,472,691	\$ 32,830	\$ 13,890

The net cost of services for the year ended June 30, 2017 reflects a net cost of \$32,830. The prior year net cost was \$13,890.

PHOENIXVILLE AREA SCHOOL DISTRICT
Management's Discussion and Analysis
June 30, 2018

THE DISTRICT FUNDS

GENERAL FUND

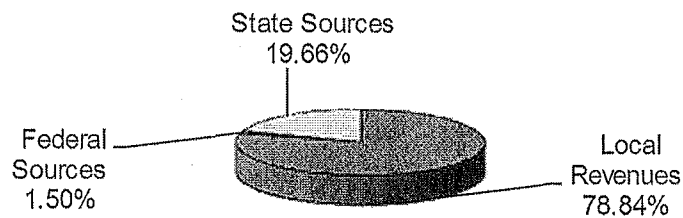
At June 30, 2018, the District reported an unassigned fund balance of \$5,921,715 (includes \$583,365, which is a nonspendable balance related to prepaid expenses). The School Board committed fund balance of \$343,000 for future PSERS obligations. In addition, the District assigned fund balance of \$1,127,025 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 \$88,914,168, increased \$2,638,154 or 3.06%, over the prior year revenues. The following table reflects a comparison of current year revenues to prior year revenues:

	<u>Revenue 2018</u>	<u>% of Total</u>	<u>Increase From 2017</u>	<u>Percentage Increase</u>
Local Revenues	\$ 70,096,977	78.84%	\$ 1,723,962	2.52%
State Sources	17,482,428	19.66%	803,557	4.82%
Federal Sources	<u>1,334,763</u>	<u>1.50%</u>	<u>110,635</u>	<u>9.04%</u>
	<u>\$ 88,914,168</u>	<u>100.00%</u>	<u>\$ 2,638,154</u>	<u>3.06%</u>

Distribution of Funding Sources



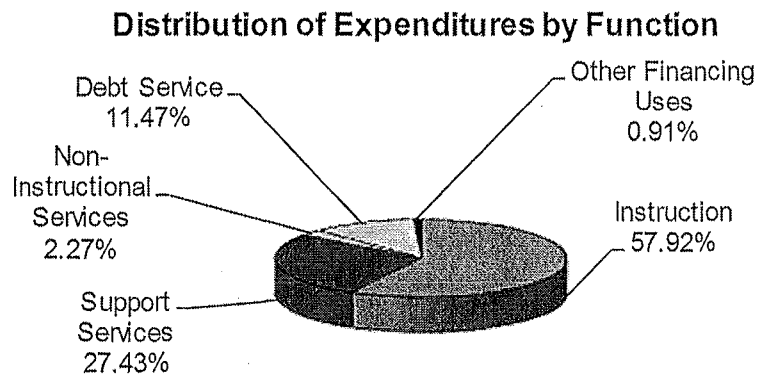
PHOENIXVILLE AREA SCHOOL DISTRICT
Management's Discussion and Analysis
June 30, 2018

The District balanced the budget by increasing the 2017-2018 tax rate to 29.58 mills from 29.16 mills. As a result of the increase in millage and changes in real estate assessments, revenues from current real estate taxes increased by \$1,130,24. Earned income tax collections increased by \$338,579 compared to the prior year. State Subsidies increased in total by \$803,557, with the state subsidy for basic education increasing \$158,925, sinking fund payments increasing \$29,887, and state share of retirement increasing \$422,638. Federal Subsidies increased in total by \$110,635 compared to the prior year.

EXPENDITURES

Expenditures and other financing uses, which total \$90,394,810 increased \$2,451,753 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 2018	% of Total	Increase (Decrease) From 2017	Variance with Final Budget - Positive (Negative)
Instruction	\$ 52,350,153	57.92%	\$ 957,047	\$ (906,181)
Support Services	24,797,104	27.43%	881,335	673,610
Non-Instructional Services	2,050,641	2.27%	166,501	(145,746)
Debt Service	10,370,762	11.47%	925,516	(289,232)
Other Financing Uses	826,150	0.91%	(478,646)	167,148
TOTAL EXPENDITURES BY FUNCTION	\$ 90,394,810	100.00%	\$ 2,451,753	\$ (500,401)



PHOENIXVILLE AREA SCHOOL DISTRICT
Management's Discussion and Analysis
June 30, 2018

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 \$845,276. Transfers to other funds and the library were \$826,150.

CAPITAL PROJECTS FUND

At June 30, 2018, the District reported a negative fund balance of \$1,705,683 which is a decrease of \$508,422 over last year. During 2017-2018 this fund expended \$10,625,063 in construction and capital improvement expenditures as well as \$229,654 in support services. Increases in this fund include new bond proceeds in the amount of \$9,995,000, investment earnings of \$26,295, and state grant revenue of \$325,000.

CAPITAL RESERVE FUND

At June 30, 2018, the District reported a fund balance of \$2,412,534, which is a decrease of \$165,040 from the prior year. Increases in this fund during 2017-2018 include a \$250,000 transfer from the general fund and investment earnings of \$33,939. The capital reserve fund expended \$448,9799 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 \$89,394,409 with actual revenues received in the amount of \$88,914,168, a negative variance in the amount of \$480,241. In addition, the formally adopted budget reflects expenditures (including other financing uses) in the amount of \$89,894,409 with the actual expenditures in the amount of \$90,349,810, a negative variance in the amount of \$502,153

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, 2018

CAPITAL ASSETS

At June 30, 2018, the District had \$163,357,044 (governmental activities) invested in a broad range of capital assets, including land, buildings and furniture and equipment. This amount represents a net increase (including additions, deletions and depreciation) of \$2,937,120 from last year.

The following schedule depicts the change in capital assets for the period July 1, 2017 through June 30, 2018.

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	7,715,967	150,049	7,866,016
Buildings	138,853,264	56,587,487	195,440,751
Construction in Progress	53,722,419	(51,311,595)	2,410,824
Furniture and Equipment	19,688,715	3,664,121	23,352,836
TOTAL CAPITAL ASSETS	<u>220,485,327</u>	<u>9,090,062</u>	<u>229,575,389</u>
Accumulated Depreciation for:			
Land Improvements	2,831,157	326,305	3,157,462
Buildings	39,132,820	4,860,306	43,993,126
Furniture and Equipment	18,101,426	966,331	19,067,757
TOTAL ACCUMULATED DEPRECIATION	<u>60,065,403</u>	<u>6,152,942</u>	<u>66,218,345</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$160,419,924</u>	<u>\$ 2,937,120</u>	<u>\$163,357,044</u>
<u>Business-Type Activities:</u>			
Capital Assets:			
Furniture and Equipment	\$ 1,193,193	\$ 8,845	\$ 1,202,038
Accumulated Depreciation for:			
Furniture and Equipment	787,143	45,313	832,456
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 406,050</u>	<u>\$ (36,468)</u>	<u>\$ 369,582</u>

PHOENIXVILLE AREA SCHOOL DISTRICT
Management's Discussion and Analysis
June 30, 2018

DEBT ADMINISTRATION

	Principal Outstanding July 1, 2017	Maturities	Additions (Refinancing)	Principal Outstanding June 30, 2018
General Obligation Note				
Series of 2000	\$ 2,890,000	\$ 670,000	\$ 0	\$ 2,220,000
General Obligation Bonds				
Series A of 2009	1,670,000	770,000	0	900,000
General Obligation Bonds				
Series of 2012	9,315,000	1,360,000	0	7,955,000
General Obligation Bonds				
Series A of 2012	20,315,000	1,030,000	(4,010,000)	15,275,000
General Obligation Bonds				
Series of 2013	8,090,000	490,000	0	7,600,000
General Obligation Bonds				
Series A of 2013	9,620,000	0	(9,620,000)	0
General Obligation Bonds				
Series A of 2014	9,815,000	575,000	0	9,240,000
General Obligation Bonds				
Series A of 2015	9,955,000	25,000	0	9,930,000
General Obligation Bonds				
Series B of 2015	9,885,000	30,000	0	9,855,000
General Obligation Bonds				
Series C of 2015	7,725,000	5,000	0	7,720,000
General Obligation Bonds				
Series D of 2015	8,855,000	145,000	0	8,710,000
General Obligation Bonds				
Series of 2016	9,500,000	5,000	0	9,495,000
General Obligation Bonds				
Series A of 2016	7,630,000	325,000	0	7,305,000
General Obligation Bonds				
Series B of 2016	5,285,000	595,000	0	4,690,000
General Obligation Bonds				
Series of 2017	8,710,000	0	0	8,710,000
General Obligation Bonds				
Series A of 2017	6,275,000	0	0	6,275,000
General Obligation Bonds				
Series AA of 2017	0	0	3,970,000	3,970,000
General Obligation Bonds				
Series AAA of 2017	0	0	9,065,000	9,065,000
General Obligation Bonds				
Series of 2018	0	0	9,995,000	9,995,000
	<u>135,535,000</u>	<u>6,025,000</u>	<u>9,400,000</u>	<u>138,910,000</u>
Less: Deferred Amounts:				
Issuance (Discounts)				
Premium	2,820,507	450,355	1,644,536	4,014,688
LONG-TERM DEBT	<u>\$ 138,355,507</u>	<u>\$ 6,475,355</u>	<u>\$ 11,044,536</u>	<u>\$ 142,924,688</u>

PHOENIXVILLE AREA SCHOOL DISTRICT
Management's Discussion and Analysis
June 30, 2018

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
- 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'S FUTURE

The District is projected to continue to experience enrollment growth in the next five years. Total enrollment is projected to increase to over 4,100 students in the 2019-2020 school year. The total estimated increase of students over the next 5 year period is 600.

Based on current enrollment projections and recently constructed capacity in new schools, the District may be required to add classroom space at the elementary level in about 5 years. Classroom space at the secondary level (Grades 6-12) should not be needed since the District completed a project at the High School in late 2018 that included the addition of six classrooms.

In the near future, the District may need to borrow additional funds to finance the construction of another elementary school. If the District continues growing at the same pace then a new school would be needed. However, if projections are high and the District's growth slows down a new school may not be needed. At this point, a decision has not been made. The District has a conceptual plan for the future financings. As in the past, the District would 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 Chris Gehris, Director of Finance / Business Manager at the Phoenixville Area School District, 386 City Line Ave, Phoenixville, PA 19460, (484) 927-5000.

PHOENIXVILLE AREA SCHOOL DISTRICT

Statement of Net Position (Deficit)

June 30, 2018

	Primary Government			Component
	Governmental Activities	Business-Type Activities	Total	Unit Phoenixville Public Library
ASSETS				
Current:				
Cash and Cash Equivalents	\$ 160,100	\$ 61,936	\$ 222,036	\$ 288,736
Investments	11,962,324	0	11,962,324	0
Taxes Receivable, Net	5,982,819	0	5,982,819	0
Due from Other Governments	3,073,201	89,182	3,162,383	0
Other Receivables	707,513	0	707,513	0
Prepaid Expenses	583,365	0	583,365	8,509
Inventories	0	33,534	33,534	0
TOTAL CURRENT ASSETS	22,469,322	184,652	22,653,974	297,245
Capital Assets, Net of Accumulated Depreciation	163,357,044	369,582	163,726,626	1,160,295
TOTAL ASSETS	185,826,366	554,234	186,380,600	1,457,540
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows of Resources: Pension Plan	28,563,997	0	28,563,997	0
Deferred Outflows of Resources: OPEB	223,542	0	223,542	0
TOTAL DEFERRED OUTFLOWS OF RESOURCES	28,787,539	0	28,787,539	0
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 214,613,905	\$ 554,234	\$ 215,168,139	\$ 1,457,540
LIABILITIES				
Current:				
Accounts Payable and Other Current Liabilities	\$ 3,198,584	\$ 192,077	\$ 3,390,661	\$ 31,637
Bonds and Notes Payable Due Within One Year	6,575,000	0	6,575,000	0
Accrued Salaries and Benefits	5,978,203	0	5,978,203	0
Unearned Revenues	6,047	4,884	10,931	0
Accrued Interest	520,724	0	520,724	0
TOTAL CURRENT LIABILITIES	16,278,558	196,961	16,475,519	31,637
Noncurrent:				
Bonds and Notes Payable Due After One Year	136,349,688	0	136,349,688	0
Net Pension Liability	124,508,000	0	124,508,000	0
Compensated Absences	1,473,456	0	1,473,456	0
Accrued Post-Employment Benefits	4,001,932	0	4,001,932	0
TOTAL NONCURRENT LIABILITIES	266,333,076	0	266,333,076	0
TOTAL LIABILITIES	282,611,634	196,961	282,808,595	31,637
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows of Resources: Pension Plan	9,582,000	0	9,582,000	0
Deferred Inflows of Resources: OPEB	13,450	0	13,450	0
TOTAL DEFERRED INFLOWS OF RESOURCES	9,595,450	0	9,595,450	0
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	292,207,084	196,961	292,404,045	31,637
NET POSITION (DEFICIT)				
Invested in Capital Assets, Net of Related Debt	18,726,673	369,582	19,096,255	1,160,295
Restricted for: Capital Projects	2,412,534	0	2,412,534	0
Unrestricted	(98,732,386)	(12,309)	(98,744,695)	265,608
TOTAL NET POSITION (DEFICIT)	(77,593,179)	357,273	(77,235,906)	1,425,903
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND AND NET POSITION (DEFICIT)	\$ 214,613,905	\$ 554,234	\$ 215,168,139	\$ 1,457,540

The accompanying notes are an integral part of this statement.

PHOENIXVILLE AREA SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2018

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	\$ 54,665,920	\$ (32,760)	\$(11,624,923)	\$ (43,008,237)	\$ 0	\$ (43,008,237)	\$ 0
Instructional Student Support	6,407,518	0	(77,596)	(6,329,922)	0	(6,329,922)	0
Administrative and Financial Support Services	8,431,323	0	0	(8,431,323)	0	(8,431,323)	0
Operation and Maintenance of Plant Operation	8,426,396	(126,223)	(996,793)	(7,303,380)	0	(7,303,380)	0
Pupil Transportation	4,855,895	0	(1,315,473)	(3,540,422)	0	(3,540,422)	0
Student Activities	2,089,076	(93,410)	0	(1,995,666)	0	(1,995,666)	0
Community Services	68,961	0	0	(68,961)	0	(68,961)	0
Interest on Long-Term Debt	4,971,899	0	0	(4,971,899)	0	(4,971,899)	0
Unallocated Depreciation Expense	6,152,942	0	0	(6,152,942)	0	(6,152,942)	0
TOTAL GOVERNMENTAL ACTIVITIES	96,069,930	(252,393)	(14,014,785)	(81,802,752)	0	(81,802,752)	0
Business-Type Activities:							
Food Services	1,554,592	(809,919)	(701,493)	0	(43,180)	(43,180)	0
TOTAL PRIMARY GOVERNMENT	\$ 97,624,522	\$ (1,062,312)	\$(14,716,278)	\$ (81,802,752)	\$ (43,180)	\$ (81,845,932)	\$ 0
Component-Unit Activities:							
Phoenixville Public Library	\$ 1,055,160	\$ (167,806)	\$ (260,227)				(627,127)
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes, Net				\$ 58,973,426	0	58,973,426	0
Public Utility Realty, Earned Income and Realty Transfer Taxes,				10,896,376	0	10,896,376	0
Personal Taxes, Levied for General Purposes, Net				4,793,249	0	4,793,249	0
Grants, Subsidies and Contributions Not Restricted				338,849	1,505	340,354	1,180
Investment Earnings				868,442	0	868,442	9,685
Miscellaneous Income							
TOTAL GENERAL REVENUES AND SPECIAL ITEMS				75,870,342	1,505	75,871,847	10,865
Transfers				(576,150)	8,845	(567,305)	567,305
CHANGE IN NET POSITION (DEFICIT)				(6,508,560)	(32,830)	(6,541,390)	(48,957)
Net Position (Deficit) - July 1, 2017				(67,826,558)	390,103	(67,436,455)	1,474,860
Prior Period Adjustment				(3,258,061)	0	(3,258,061)	0
NET POSITION (DEFICIT) - JULY 1, 2017 (RESTATED)				(71,084,619)	390,103	(70,694,516)	1,474,860
NET POSITION (DEFICIT) - JUNE 30, 2018				\$ (77,593,179)	\$ 357,273	\$ (77,235,906)	\$ 1,425,903

The accompanying notes are an integral part of this statement.

PHOENIXVILLE AREA SCHOOL DISTRICT

Balance Sheet
 Governmental Funds
 June 30, 2018

<u>ASSETS</u>	General Fund	Capital Projects Fund	Capital Reserve Fund	Total Governmental Funds
Cash and Cash Equivalents	\$ 160,100	\$ 0	\$ 0	\$ 160,100
Investments	7,269,133	1,905,479	2,787,712	11,962,324
Taxes Receivable	5,982,819	0	0	5,982,819
Due from Other Funds	3,863,726	0	0	3,863,726
Due from Other Governments	3,073,201	0	0	3,073,201
Other Receivables	301,216	406,297	0	707,513
Prepaid Expenses	583,365	0	0	583,365
TOTAL ASSETS	\$ 21,233,560	\$ 2,311,776	\$ 2,787,712	\$ 26,333,048
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>				
Liabilities:				
Accounts Payable	\$ 2,569,228	\$ 517,776	\$ 11,135	\$ 3,098,139
Accrued Salaries and Benefits	6,078,648	0	0	6,078,648
Due to other funds	0	3,499,683	364,043	3,863,726
Unearned Revenues	6,047	0	0	6,047
TOTAL LIABILITIES	8,653,923	4,017,459	375,178	13,046,560
Deferred Inflows of Resources:				
Unavailable Revenue - Property Taxes	5,187,897	0	0	5,187,897
Fund Balances:				
Nonspendable	583,365	0	0	583,365
Committed	343,000	0	0	343,000
Assigned	1,127,025	0	2,412,534	3,539,559
Unassigned	5,338,350	(1,705,683)	0	3,632,667
TOTAL FUND BALANCES	7,391,740	(1,705,683)	2,412,534	8,098,591
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 21,233,560	\$ 2,311,776	\$ 2,787,712	\$ 26,333,048

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, 2018

Total Fund Balances - Governmental Funds		\$ 8,098,591
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 \$229,575,389, and the accumulated depreciation is \$66,218,345.		
		163,357,044
Some of the District's revenues will be collected after year end and are, therefore, not reported in the funds statements.		
		5,187,897
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	\$ 142,924,688	
Accrued Interest on the Bonds	520,724	
Net Pension Liability	124,508,000	
Accrued Post-Employment Benefits	4,001,932	
Compensated Absences	<u>1,473,456</u>	(273,428,800)
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	\$ 28,563,997	
Deferred Outflows of Resources - OPEB	223,542	
Deferred Inflows of Resources - Pension Plan	(9,582,000)	
Deferred Inflows of Resources - OPEB	<u>(13,450)</u>	<u>19,192,089</u>
TOTAL NET POSITION (DEFICIT) - GOVERNMENTAL ACTIVITIES		<u><u>\$ (77,593,179)</u></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, 2018

	General Fund	Capital Projects Fund	Capital Reserve Fund	Debt Service Fund	Total Governmental Funds
Revenues:					
Local Sources:					
Real Estate Taxes	\$ 58,973,426	\$ 0	\$ 0	\$ 0	\$ 58,973,426
Realty Transfer Tax	1,528,559	0	0	0	1,528,559
Earned Income Taxes	8,337,677	0	0	0	8,337,677
Other Taxes	182,865	0	0	0	182,865
Earnings from Investments	278,615	26,295	33,939	0	338,849
Other Local Revenues	795,835	0	0	0	795,835
State Sources	17,482,428	325,000	0	0	17,807,428
Federal Sources	1,334,763	0	0	0	1,334,763
TOTAL REVENUES	88,914,168	351,295	33,939	0	89,299,402
Expenditures:					
Instruction	52,350,153	0	0	0	52,350,153
Support Services	24,797,104	229,654	0	254,286	25,281,044
Non-Instructional Services	2,050,641	0	0	0	2,050,641
Capital Outlay	0	10,625,063	448,979	0	11,074,042
Debt Service	10,370,762	0	0	0	10,370,762
TOTAL EXPENDITURES	89,568,660	10,854,717	448,979	254,286	101,126,642
DEFICIENCY OF REVENUES OVER EXPENDITURES	(654,492)	(10,503,422)	(415,040)	(254,286)	(11,827,240)
Other Financing Sources (Uses):					
Bond Proceeds	0	9,995,000	0	13,035,000	23,030,000
Payment to Bond Refunding Escrow Agent	0	0	0	(14,425,250)	(14,425,250)
Bond Premium (Discount)	0	0	0	1,644,536	1,644,536
Interfund Transfers In	0	0	250,000	0	250,000
Interfund Transfers Out	(258,845)	0	0	0	(258,845)
Transfer - Component Unit	(567,305)	0	0	0	(567,305)
TOTAL OTHER FINANCING SOURCES (USES)	(826,150)	9,995,000	250,000	254,286	9,673,136
NET CHANGE IN FUND BALANCES	(1,480,642)	(508,422)	(165,040)	0	(2,154,104)
Fund Balances - July 1, 2017	8,872,382	(1,197,261)	2,577,574	0	10,252,695
FUND BALANCES - JUNE 30, 2018	\$ 7,391,740	\$ (1,705,683)	\$ 2,412,534	\$ 0	\$ 8,098,591

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, 2018

Total Net Change in Fund Balances - Governmental Funds \$ (2,154,104)

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	\$ 9,090,062	
Depreciation Expense	(6,152,942)	2,937,120

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	\$ (23,030,000)	
Principal Payments on Long-Term Term Liabilities	19,655,000	
Bond Issuance Premium	(1,194,181)	(4,569,181)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 847,275

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.

Accrued Post-Employment Benefits	\$ 103,037	
Accrued Interest on the Bonds	(26,956)	
Compensated Absences	217,408	293,489

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	\$ 11,256,997	
Cost of Benefits Earned Net of Employee Contributions	(15,120,156)	(3,863,159)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (6,508,560)

PHOENIXVILLE AREA SCHOOL DISTRICT
Statement of Net Position
Proprietary Funds
June 30, 2018

<u>ASSETS</u>	<u>Food Services</u>
Current:	
Cash and Cash Equivalents	\$ 61,936
Inventories	33,534
Due from Other Governments	89,182
TOTAL CURRENT ASSETS	<u>184,652</u>
Non-Current:	
Furniture and Equipment	1,202,038
Less: Accumulated Depreciation	<u>(832,456)</u>
TOTAL NON-CURRENT ASSETS	<u>369,582</u>
 TOTAL ASSETS	 <u>\$ 554,234</u>
 <u>LIABILITIES</u>	
Current:	
Accounts Payable	\$ 192,077
Unearned Revenue	4,884
TOTAL LIABILITIES	<u>196,961</u>
 <u>NET POSITION</u>	
Invested in Capital Assets	369,582
Unrestricted Deficit	<u>(12,309)</u>
TOTAL NET POSITION	<u>357,273</u>
 TOTAL LIABILITIES AND NET POSITION	 <u>\$ 554,234</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, 2018

	Food Services
Operating Revenues:	
Food Service Revenue	<u>\$ 809,919</u>
Operating Expenses:	
Professional and Contract Services	1,383,600
Donated Commodities Consumed	125,679
Depreciation	45,313
TOTAL OPERATING EXPENSES	<u>1,554,592</u>
OPERATING LOSS	<u>(744,673)</u>
Non-Operating Revenues:	
Earnings on Investments	1,505
State Sources	37,718
Federal Sources	663,775
TOTAL NON-OPERATING REVENUES	<u>702,998</u>
LOSS BEFORE CONTRIBUTIONS	(41,675)
Contributions:	
Capital Contributions	<u>8,845</u>
CHANGE IN NET POSITION	(32,830)
Net Position - July 1, 2017	<u>390,103</u>
NET POSITION - JUNE 30, 2018	<u><u>\$ 357,273</u></u>

PHOENIXVILLE AREA SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

	<u>Food Services</u>
Cash Flows From Operating Activities:	
Cash Received from Users	\$ 809,208
Cash Payments to Suppliers for Goods and Services	(1,511,659)
NET CASH USED BY OPERATING ACTIVITIES	<u>(702,451)</u>
Cash Flows From Non-Capital Financing Activities:	
State Sources	37,519
Federal Sources	658,643
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>696,162</u>
Cash Flows From Investing Activities:	
Earnings on Investments	1,505
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,784)
Cash and Cash Equivalents - July 1, 2017	<u>66,720</u>
CASH AND CASH EQUIVALENTS - JUNE 30, 2018	<u>\$ 61,936</u>
<u>Supplemental Schedule of Non-Cash Capital Financing Activities:</u>	
Contributed Capital - Equipment	<u>\$ 8,845</u>
<u>Reconciliation of Operating Loss to Net Cash Used by Operating Activities:</u>	
Operating Loss	\$ (744,673)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation	45,313
Changes in Assets and Liabilities:	
Inventories	2,724
Accounts Payable	(5,104)
Unearned Revenue	(711)
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (702,451)</u>

The accompanying notes are an integral part of this statement.

PHOENIXVILLE AREA SCHOOL DISTRICT
Statement of Fiduciary Net Position
For the Year Ended June 30, 2018

<u>ASSETS</u>	<u>Private- Purpose Trusts</u>	<u>Agency Funds</u>
Cash and Cash Equivalents	<u>\$ 24,504</u>	<u>\$ 167,051</u>
<u>LIABILITIES</u>		
Due to Student Groups	<u>\$ 0</u>	<u>\$ 167,051</u>
<u>NET POSITION</u>		
Restricted for Scholarships	\$ 24,504	
Unrestricted	<u>0</u>	
 TOTAL NET POSITION	 <u>\$ 24,504</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, 2018

	<u>Private- Purpose Trusts</u>
Additions:	
Contributions	\$ 7,175
Interest Income	114
TOTAL ADDITIONS	<u>7,289</u>
Deductions:	
Grants	<u>17,900</u>
CHANGE IN NET POSITION	(10,611)
Net Position - July 1, 2017	<u>35,115</u>
NET POSITION - JUNE 30, 2018	<u><u>\$ 24,504</u></u>

The accompanying notes are an integral part of this statement.

PHOENIXVILLE AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

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, 2018

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, 2018

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, 2018

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 \$913,649 at June 30, 2018.

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, 2018

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, 2018 to be \$548,263.

PHOENIXVILLE AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

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 \$662,324 at June 30, 2018.

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 \$262,869 at June 30, 2018.

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, 2018

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, 2018

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 \$702,327, and the corresponding bank balance was \$855,864.

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, 2018

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, 2018 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	\$ 5,261,799
Capital Projects Fund Accounts	AAA	1,905,479
Capital Reserve Fund Accounts	AAA	<u>2,787,712</u>
TOTAL		<u>9,954,990</u>
Pennsylvania Local Government Investment Trust:		
General Fund Accounts	AAA	<u>41,025</u>
TOTAL POOLED INVESTMENTS		<u>9,996,105</u>
<u>Other Investments:</u>		
U.S. Government Securities:		
General Fund Accounts (Market Value \$343,604)	AAA	346,007
Capital Projects Fund Accounts (Market Value \$358,066)	AAA	360,570
Certificates of Deposit:		
General Fund Accounts	Not Applicable	<u>1,259,732</u>
TOTAL OTHER INVESTMENTS		<u>1,966,309</u>
TOTAL INVESTMENTS		<u>\$ 11,962,324</u>

PHOENIXVILLE AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 4 - Taxes Receivable

	<u>General</u>	<u>Other Funds</u>	<u>Total</u>
Real Estate Taxes	\$ 1,986,753	\$ 0	\$ 1,986,753
Transfer Taxes	94,812	0	94,812
Earned Income Taxes	246,657	0	246,657
Personal Taxes	4,568,246	0	4,568,246
	<u>6,896,468</u>	<u>0</u>	<u>6,896,468</u>
Less: Allowance for Uncollectibles	<u>(913,649)</u>	<u>0</u>	<u>(913,649)</u>
 NET TAXES RECEIVABLE	 <u>\$ 5,982,819</u>	 <u>\$ 0</u>	 <u>\$ 5,982,819</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 \$5,187,897 in the governmental funds. In addition, the District reported unearned revenue in the amount of \$6,047 in the governmental funds.

NOTE 5 - Interfund Receivables, Payables and Transfers

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 3,863,726	\$ 0
Capital Projects Fund	0	3,499,683
Capital Reserve Fund	0	364,043
	<u>\$ 3,863,726</u>	<u>\$ 3,863,726</u>

Interfund transfers were as follows:

	<u>Transfer to Other Funds</u>	<u>Transfer from Other Funds</u>
General Fund	\$ 826,150	\$ 0
Capital Reserve Fund	0	250,000
Proprietary Fund - Food Services (Contributed Capital)	0	8,845
Component Unit - Library	0	567,305
	<u>\$ 826,150</u>	<u>\$ 826,150</u>

The general fund makes interfund transfers to the capital projects fund for future capital outlay and to the component unit to provide appropriations to fund operations. The general fund also contributed equipment to the proprietary fund for the purpose of providing kitchen equipment in the form of contributed capital.

PHOENIXVILLE AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

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	7,715,967	150,049	0	7,866,016
Buildings	138,853,264	56,587,487	0	195,440,751
Construction in Progress	53,722,419	8,614,244	59,925,839	2,410,824
Furniture and Equipment	19,688,715	3,664,121	0	23,352,836
TOTAL CAPITAL ASSETS	<u>220,485,327</u>	<u>69,015,901</u>	<u>59,925,839</u>	<u>229,575,389</u>
Accumulated Depreciation for:				
Land Improvements	2,831,157	326,305	0	3,157,462
Buildings	39,132,820	4,860,306	0	43,993,126
Furniture and Equipment	18,101,426	966,331	0	19,067,757
TOTAL ACCUMULATED DEPRECIATION	<u>60,065,403</u>	<u>6,152,942</u>	<u>0</u>	<u>66,218,345</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 160,419,924</u>	<u>\$ 62,862,959</u>	<u>\$ 59,925,839</u>	<u>\$ 163,357,044</u>
Business-Type Activities:				
Capital Assets:				
Machinery and Equipment	\$ 1,193,193	\$ 8,845	\$ 0	\$ 1,202,038
Accumulated Depreciation for:				
Machinery and Equipment	787,143	45,313	0	832,456
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 406,050</u>	<u>\$ (36,468)</u>	<u>\$ 0</u>	<u>\$ 369,582</u>

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

Governmental Activities - Unallocated	\$ 6,152,942
Business-Type Activities	<u>45,313</u>
TOTAL DEPRECIATION EXPENSE	<u>\$ 6,198,255</u>

PHOENIXVILLE AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 7 - Long-Term Debt

	Principal Outstanding July 1, 2017	Maturities	Additions (Refinancing)	Principal Outstanding June 30, 2018
General Obligation Note				
Series of 2000	\$ 2,890,000	\$ 670,000	\$ 0	\$ 2,220,000
General Obligation Bonds				
Series A of 2009	1,670,000	770,000	0	900,000
General Obligation Bonds				
Series of 2012	9,315,000	1,360,000	0	7,955,000
General Obligation Bonds				
Series A of 2012	20,315,000	1,030,000	(4,010,000)	15,275,000
General Obligation Bonds				
Series of 2013	8,090,000	490,000	0	7,600,000
General Obligation Bonds				
Series A of 2013	9,620,000	0	(9,620,000)	0
General Obligation Bonds				
Series A of 2014	9,815,000	575,000	0	9,240,000
General Obligation Bonds				
Series A of 2015	9,955,000	25,000	0	9,930,000
General Obligation Bonds				
Series B of 2015	9,885,000	30,000	0	9,855,000
General Obligation Bonds				
Series C of 2015	7,725,000	5,000	0	7,720,000
General Obligation Bonds				
Series D of 2015	8,855,000	145,000	0	8,710,000
General Obligation Bonds				
Series of 2016	9,500,000	5,000	0	9,495,000
General Obligation Bonds				
Series A of 2016	7,630,000	325,000	0	7,305,000
General Obligation Bonds				
Series B of 2016	5,285,000	595,000	0	4,690,000
General Obligation Bonds				
Series of 2017	8,710,000	0	0	8,710,000
General Obligation Bonds				
Series A of 2017	6,275,000	0	0	6,275,000
General Obligation Bonds				
Series AA of 2017	0	0	3,970,000	3,970,000
General Obligation Bonds				
Series AAA of 2017	0	0	9,065,000	9,065,000
General Obligation Bonds				
Series of 2018	0	0	9,995,000	9,995,000
	<u>135,535,000</u>	<u>6,025,000</u>	<u>9,400,000</u>	<u>138,910,000</u>
Less: Deferred Amounts:				
Issuance Premium (Discounts)	<u>2,820,507</u>	<u>450,355</u>	<u>1,644,536</u>	<u>4,014,688</u>
LONG-TERM DEBT	<u><u>\$138,355,507</u></u>	<u><u>\$6,475,355</u></u>	<u><u>\$ 11,044,536</u></u>	<u><u>\$142,924,688</u></u>

PHOENIXVILLE AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

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, 2018 was .91%.	\$ 2,220,000
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%.	900,000
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%.	7,955,000
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%.	15,275,000
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%.	7,600,000
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%.	9,240,000
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%.	9,930,000
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%.	9,855,000
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%.	7,720,000
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%.	8,710,000
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%.	9,495,000
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%.	7,305,000
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%.	4,690,000
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%.	8,710,000
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>6,275,000</u>
TOTAL (BROUGHT FORWARD)	<u>\$115,880,000</u>

PHOENIXVILLE AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 7 - Long-Term Debt (Continued)

	<u>Current Outstanding Principal</u>
TOTAL (CARRIED FORWARD)	\$115,880,000
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%.	3,970,000
General Obligation Bonds, Series of 2018. Original principal amount of \$8,710,000, maturing through August 1, 2033, bearing interest at 2.0% to 3.5%.	9,065,000
General Obligation Bonds, Series A of 2018. Original principal amount of \$6,275,000, maturing through August 1, 2024, bearing interest at 1.45% to 2.35%.	9,995,000
TOTAL	<u>\$ 138,910,000</u>

The annual requirements to amortize all debts outstanding as of June 30, 2018 are as follows:

<u>Year Ended:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 6,575,000	\$ 4,060,133	\$ 10,635,133
2020	6,950,000	3,770,021	10,720,021
2021	7,180,000	3,544,551	10,724,551
2022	7,350,000	3,330,740	10,680,740
2023	7,575,000	3,110,068	10,685,068
2024-2028	41,055,000	12,377,192	53,432,192
2029-2033	47,295,000	6,069,611	53,364,611
2034-2035	14,930,000	540,573	15,470,573
TOTAL MATURITIES	<u>\$ 138,910,000</u>	<u>\$36,802,889</u>	<u>\$175,712,889</u>

NOTE 8 - Defeased Bonds

On February 23, 2017, the School District issued \$6,275,000 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 2009. The bonds to be advance refunded are the bonds maturing on August 1 of each year up until the bond is partially refunded on the optional redemption date of February 1, 2019. 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 2009 Bonds to reduce its total debt service payments by \$219,234 and to recognize a present value economic gain at settlement of \$193,378. 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, 2018, the outstanding defeased debt related to the General Obligation Bonds, Series A of 2009 was \$5,930,000.

PHOENIXVILLE AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 8 - Defeased Bonds (Continued)

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, 2018, the outstanding defeased debt related to the General Obligation Bonds, Series A of 2012 was \$4,010,000.

On July 11, 2017, the School District issued \$9,065,000 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 2013. 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 2013 Bonds to reduce its total debt service payments by \$706,963 and to recognize a present value economic gain at settlement of \$569,699. 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, 2018, the outstanding defeased debt related to the General Obligation Bonds, Series A of 2013 was \$9,620,000.

NOTE 9 - Changes in Other Long-Term Liabilities

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018
Accrued Vacation	\$ 243,351	\$ 19,518	\$ 0	\$ 262,869
Accrued Severance and Sick Days	1,447,513	0	236,926	1,210,587
TOTAL	\$ 1,690,864	\$ 19,518	\$ 236,926	\$ 1,473,456

PHOENIXVILLE AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

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	\$ 2,053,402,784
Approved Tax Rate in Mills	29.580
GROSS LEVY	<u>60,739,654</u>
Plus Penalties Applied	108,477
Deductions:	
Discounts	(1,022,452)
Assessment Changes and Exonerations	(70,096)
State Property Tax Reduction Allocation	(1,306,945)
Taxes Receivable	<u>(1,343,733)</u>
NET CURRENT YEAR PROPERTY TAX REVENUE	<u>\$ 57,104,905</u>

NOTE 11 - 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.

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.

PHOENIXVILLE AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 11 - Employee Retirement Systems and Pension Plans (Continued)

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.

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%.

PHOENIXVILLE AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 11 - Employee Retirement Systems and Pension Plans (Continued)

Employer Contributions

The school districts' contractually required contribution rate for fiscal year ended June 30, 2018 was 31.74% 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 \$11,256,997 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$124,508,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 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, 2016 to June 30, 2017. 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, 2018, the District's proportion was .2521%, which was a decrease of .0243% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the District recognized pension expense of \$3,863,159. At June 30, 2018, 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	\$ 1,299,000	\$ 9,582,000
Changes in assumptions	3,382,000	0
Net difference between projected and actual investment		
Earnings	2,885,000	0
Changes in proportions	9,741,000	0
Difference between employer contributions and proportionate share of total contributions	0	0
Contributions subsequent to the measurement date	<u>11,256,997</u>	<u>0</u>
 TOTAL	 <u>\$ 28,563,997</u>	 <u>\$ 9,582,000</u>

PHOENIXVILLE AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 11 - Employee Retirement Systems and Pension Plans (Continued)

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date of \$11,256,997 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. 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>	
2018	\$ 3,176,000
2018	4,358,000
2019	2,802,000
2020	<u>(2,611,000)</u>
TOTAL	<u>\$ 7,725,000</u>

Changes in Actuarial Assumptions

The total pension liability as of June 30, 2017 was determined by rolling forward the System's total pension liability as of June 30, 2016 to June 30, 2017 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.

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.

PHOENIXVILLE AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 11 - Employee Retirement Systems and Pension Plans (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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, 2017.

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.

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	\$ 153,259,000	\$ 124,508,000	\$ 100,235,000

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.

PHOENIXVILLE AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 12 - 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, 2018, 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, 2017 actuarial valuation, the following actuarial assumptions were used:

Interest	3.13%
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, 2018

NOTE 12 - 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, 2017 (RESTATED)	\$ 3,894,877
Service Cost	244,771
Interest Expense	100,066
Changes in Assumptions	(14,571)
Estimated Contributions	<u>(223,211)</u>
 NET OPEB LIABILITY AS OF JUNE 30, 2018	 \$ <u>4,001,932</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 3.13%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.13%) or 1-percentage point higher (3.13%) than the current rate:

	1% Decrease <u>2.13%</u>	Current Discount Rate 3.13%	1% Increase <u>4.13%</u>
Net OPEB Liability	\$ 4,343,698	\$ 4,001,932	\$ 3,682,064

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:

	1% Decrease <u>4.5%</u>	Current Rate 5.5%	1% Increase <u>6.5%</u>
Net OPEB Liability	\$ 4,387,251	\$ 4,001,932	\$ 3,645,701

PHOENIXVILLE AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 12 - Other Post-Employment Benefits (Continued)

For the year ended June 30, 2018, the District recognized OPEB expense of \$343,716. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to net OPEB liability from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Changes in assumptions	\$ 0	\$ 13,450
Benefit payments subsequent to the measurement date	223,542	0
	<u>\$ 223,542</u>	<u>\$ 13,450</u>

The deferred outflows of resources related to the OPEB liability resulting from District contributions subsequent to the measurement date of \$223,542 will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

Year ended June 30:

2019	\$ 1,121
2020	1,121
2021	1,121
2022	1,121
2023	1,121
Thereafter	7,845
Total	<u>\$ 13,450</u>

NOTE 13 - Prior Period Adjustment

Net position (deficit) as of June 30, 2017 has been restated as a result of the District's adoption of Government Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The statement required the adjustment of the net OPEB liability for the government wide statements. The effect of the restatement was to reduce District-wide net position (deficit) as of July 1, 2017 by \$3,258,061.

NOTE 14 - Deficit Net Position

A deficit of \$77,593,179 exists in the District's Governmental Activities net position as of June 30, 2018. 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*.

PHOENIXVILLE AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 15 - Fund Balances - General Fund

Nonspendable:

Prepaid Expenses	\$ 583,365
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Committed:

Future PSERS Obligations	343,000
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Assigned:

Future Health Claims	1,127,025
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Unassigned

5,338,350

TOTAL FUND BALANCES - GENERAL FUND

<u>\$ 7,391,740</u>

NOTE 16 - Subsequent Events

The District has evaluated subsequent events through January 3, 2019, 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, 2018

	Original Budget	Amended Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Local Revenues	\$ 71,239,853	\$ 71,239,853	\$ 70,096,977	\$ (1,142,876)
State Program Revenues	16,834,556	16,834,556	17,482,428	647,872
Federal Program Revenues	1,320,000	1,320,000	1,334,763	14,763
TOTAL REVENUES	89,394,409	89,394,409	88,914,168	(480,241)
Expenditures:				
Regular Programs	36,959,309	36,959,309	37,463,922	(504,613)
Special Programs	13,165,194	13,165,194	13,546,944	(381,750)
Vocational Programs	1,239,469	1,239,469	1,254,060	(14,591)
Other Instructional Programs	80,000	80,000	85,227	(5,227)
Pupil Personnel Services	3,739,213	3,739,213	3,555,471	183,742
Instructional Staff Services	1,917,228	1,917,228	1,749,506	167,722
Administrative Services	4,948,874	4,948,874	4,858,754	90,120
Pupil Health	773,753	773,753	762,233	11,520
Business Services	1,051,899	1,051,899	1,111,150	(59,251)
Operation and Maintenance of Plant Services	6,051,079	6,051,079	5,979,223	71,856
Student Transportation Services	4,452,331	4,752,331	4,764,610	(12,279)
Central and Other Support Services	2,236,337	2,236,337	2,016,157	220,180
Student Activities	1,837,395	1,837,395	1,981,680	(144,285)
Community Services	67,500	67,500	68,961	(1,461)
Debt Service	10,081,530	10,081,530	10,370,762	(289,232)
TOTAL EXPENDITURES	88,601,111	88,901,111	89,568,660	(667,549)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	793,298	493,298	(654,492)	(1,147,790)
Other Financing Sources (Uses):				
Interfund Transfers Out	(414,887)	(414,887)	(258,845)	156,042
Transfer - Component Unit	(578,411)	(578,411)	(567,305)	11,106
Budgetary Reserve	(300,000)	0	0	0
TOTAL OTHER FINANCING SOURCES (USES)	(1,293,298)	(993,298)	(826,150)	167,148
NET CHANGE IN FUND BALANCE	(500,000)	(500,000)	(1,480,642)	(980,642)
Fund Balance - July 1, 2017	10,319,885	10,106,592	8,872,382	(1,234,210)
FUND BALANCE - JUNE 30, 2018	\$ 9,819,885	\$ 9,606,592	\$ 7,391,740	\$ (2,214,852)

PHOENIXVILLE AREA SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2018

<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%	-56.65%
June 30, 2017	25.2100%	124,508,000	33,567,250	370.92%	-62.32%

PHOENIXVILLE AREA SCHOOL DISTRICT
Schedule of the District's Pension Contributions
For the Year Ended June 30, 2018

<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%

PHOENIXVILLE AREA SCHOOL DISTRICT

Schedule of Changes in Net OPEB Liability and Related Ratios (Unaudited)

For the Year Ended June 30, 2018

Total OPEB Liability:		
Service Cost	\$	244,771
Interest		100,066
Changes of Benefit Terms		0
Differences Between Expected and Actual Experience		0
Changes of Assumptions		(14,571)
Benefit Payments		(223,211)
NET CHANGE IN TOTAL POLICE PENSION LIABILITY		<u>107,055</u>
Total Net OPEB Liability - Beginning (RESTATED)	\$	<u>3,894,877</u>
TOTAL NET OPEN LIABILITY - ENDING	\$	<u><u>4,001,932</u></u>
Covered Employee Payroll	\$	<u><u>29,913,970</u></u>
Net OPEB Liability as a Percentage of Covered Employee Payroll		<u><u>13.38%</u></u>