

BOROUGH OF PHOENIXVILLE

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

Year Ended December 31, 2024

INTRODUCTORY SECTION

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FINANCIAL SECTION

Independent Auditors' Report

To the Members of Council
Borough of Phoenixville
Phoenixville, Pennsylvania

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Borough of Phoenixville as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Borough of Phoenixville's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Phoenixville as of December 31, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

As discussed in Note M to the financial statements, the opening net position of the General Fund governmental fund and the governmental activities have been restated to correct a misstatement. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

To the Members of Council
Borough of Phoenixville
Phoenixville, Pennsylvania

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Borough of Phoenixville's ability to continue as a going concern twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Borough of Phoenixville's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Borough of Phoenixville's ability to continue as a going concern for a reasonable period of time.

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

To the Members of Council
Borough of Phoenixville
Phoenixville, Pennsylvania

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 17, budgetary comparison schedule on page 67, police pension plan information on pages 68 through 70, municipal employees' pension plan information on pages 71 through 73 and postemployment benefits other than pension information on page 74 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

The other governmental funds - combining balance sheet and combining schedule of revenues, expenditures, and changes in fund balances; and fiduciary funds - combining schedule of fiduciary net position and combining schedule of changes in fiduciary net position are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Maille LLP

New Castle, Delaware
May 1, 2025

BOROUGH OF PHOENIXVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2024

This discussion and analysis of the Borough of Phoenixville's financial performance provides an overview of the Borough's financial activities for the fiscal year ended December 31, 2024. The intent of this discussion and analysis is to look at the Borough's financial performance as a whole. Please read it in conjunction with the Borough's basic financial statements, which begin on page 18.

FINANCIAL HIGHLIGHTS

- The assets of the Borough of Phoenixville exceeded its liabilities at the close of the most recent fiscal year by \$96,196,374 (representing its net position). Of this amount, \$27,153,976 (or its unrestricted net position) may be used to meet the government's ongoing obligations to its citizens and creditors.
- The Borough's total net position increased by \$5,907,639.
- As of December 31, 2024, the Borough's Governmental Funds reported combined ending fund balances of \$19,593,502, an increase of \$1,423,271 as compared to the prior year. The Borough recognized an overall increase in grants receivable of \$ 1.1 M coupled with a rise in overall tax revenue.
- The Borough's total Long-Term liabilities decreased by \$2,588,658.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 18 and 19) provide information about the activities of the Borough as a whole and present a longer-term view of the Borough's finances. Fund financial statements start on page 20. For governmental activities, these statements explain how services were financed in the short term as well as what remains for future spending. The Governmental and Proprietary Funds financial statements also report the Borough's operations in more detail than the entity-wide statements by providing information about the Borough's most significant funds. The remaining statements provide financial information about activities for which the Borough acts solely as a trustee or agent for the benefit of those outside of the government.

OVERVIEW OF THE FINANCIAL STATEMENTS

The accompanying financial statements have been prepared in accordance with GASB Statement No. 34 and represent both entity-wide and fund level financial statements using both the accrual and modified accrual basis of accounting, respectively.

BOROUGH OF PHOENIXVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2024

Entity-Wide Financial Statements

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

The entity-wide statements report information about the Borough as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two entity-wide statements report the Borough's net position and how it has changed. Net position, the difference between the Borough's assets and liabilities, is one way to measure the Borough's financial health or position. In the long run, increases or decreases in the Borough's net position are an indication of whether its financial health is improving or deteriorating. To assess the overall health of the Borough, consideration must be made to additional nonfinancial factors, such as changes in the Borough's property tax base and the adequacy of Borough services.

Regarding the Borough's tax base, the Borough continues to experience targeted areas of new development and redevelopment of properties. Such development of a well-established Pennsylvania Borough is quite unusual and bodes well for the economic and fiscal base of the Borough.

The entity-wide financial statements of the Borough are divided into two categories:

- **Governmental Activities** - All of the Borough's basic services are included here, such as public safety, public works and administration. Property taxes and state grants and charges for services finance most of these activities.
- **Business-Type Activities** - The Borough runs a Sewer Operations Fund, a Water Operations Fund, a Parking Operations Fund, and a Sanitation Operations Fund and charges fees to the customers of these enterprises for operational expenses.

Fund Level Financial Statements

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

- **Governmental Funds** - Most of the Borough's activities are reported in Governmental Funds, which focus on the determination of financial position and change in financial position, not on income determination. Governmental Funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The Governmental Funds statements provide a detailed short-term view of the Borough's operations and the services it provides.

BOROUGH OF PHOENIXVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2024

Governmental Funds information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Borough's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and Governmental Funds is reconciled in the financial statements. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The Borough's Governmental Funds include the General Fund, the Debt Service Fund, the Pension Fund, the Recreation Fund, the Fire Fund and the Liquid Fuels Fund.

- **Proprietary Funds** - These funds are used to account for Borough activities that are similar to business operations in the private sector or where the reporting is on determining net income, financial position, changes in financial position and a significant portion of funding through user charges. When the Borough charges customers for services it provides, whether to outside customers or to other units in the Borough, these services generally are reported in the Proprietary Funds. The Borough's Proprietary Funds include the Water Fund, the Sewer Fund, the Parking Fund, and the Sanitation Fund.
- **Fiduciary Funds** - The Borough is the trustee, or fiduciary, for the Uniform (a.k.a. Police) and Non-Uniform Pension Plans and escrow funds. All of the Borough's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. These activities are excluded from the Borough's other financial statements because the Borough cannot use these assets to finance its operations.

BUDGETING METHOD

The Borough, being consistent with its previous practices, continues with modified zero-based budgeting and line-item budgeting. Each department was required to justify any increases to the line items by listing specific new items or showing expected increases of cost of existing items. The Borough continued to allocate expenses to the sanitation, water, water distribution and sewer departments. The remaining administrative costs are reported in the General Fund in each of the respective administrative departments.

In addition, instead of using arbitrary percentages for allocating some expenses, mostly salaries and facility costs, the Borough did a time study of individuals who split their time between business-type activities and governmental activities. In doing so, the Borough allocated all administrative costs (legislative, executive, finance, information technology and main facility) to each department or business activity.

BOROUGH OF PHOENIXVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2024

ENTITY-WIDE FINANCIAL ANALYSIS OF THE BOROUGH

The Borough's total net position as of December 31, 2024 was \$96,196,374. This represents an increase of \$5,907,639 over the prior year. While there was a \$2,220,650 increase in Business Type Activities, there was also an increase in Governmental Activities of \$3,686,989. Our analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the Borough's governmental and business-type activities.

Table 1 - Statements of Net Position
December 31, 2024 and 2023

	2024			2023		
	Governmental Activities	Business-Type Activities	Totals	Governmental Activities	Business-Type Activities	Totals
ASSETS						
Current and other assets	\$ 22,762,944	\$ 18,150,190	\$ 40,913,134	\$ 20,306,311	\$ 16,741,840	\$ 37,048,151
Capital assets	44,738,800	38,732,420	83,471,220	43,122,591	38,491,716	81,614,307
TOTAL ASSETS	67,501,744	56,882,610	124,384,354	63,428,902	55,233,556	118,662,458
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows of resources	2,005,629	386,463	2,392,092	3,713,811	615,104	4,328,915
LIABILITIES						
Long-term liabilities	23,034,304	2,630,544	25,664,848	24,760,370	3,493,136	28,253,506
Other liabilities	2,601,311	353,572	2,954,883	2,006,183	261,433	2,267,616
TOTAL LIABILITIES	25,635,615	2,984,116	28,619,731	26,766,553	3,754,569	30,521,122
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows of resources	1,632,281	328,060	1,960,341	1,823,672	357,844	2,181,516
NET POSITION						
Net investment in capital assets	24,449,791	36,641,015	61,090,806	22,082,916	35,788,349	57,871,265
Restricted for						
Net pension asset	435,850	-	435,850	-	-	-
Remaining governmental funds	7,515,742	-	7,515,742	7,625,460	-	7,625,460
Unrestricted	9,838,094	17,315,882	27,153,976	8,844,112	15,947,898	24,792,010
TOTAL NET POSITION	\$ 42,239,477	\$ 53,956,897	\$ 96,196,374	\$ 38,552,488	\$ 51,736,247	\$ 90,288,735

BOROUGH OF PHOENIXVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2024

Table 2 - Changes in Net Position
Years Ended December 31, 2024 and 2023

	2024			2023		
	Governmental Activities	Business-Type Activities	Totals	Governmental Activities	Business-Type Activities	Totals
REVENUES						
Program revenues						
Charges for services	\$ 1,725,199	\$ 12,058,305	\$ 13,783,504	\$ 2,113,614	\$ 11,476,554	\$ 13,590,168
Operating grants and contributions	2,437,103	316,791	2,753,894	4,461,807	68,107	4,529,914
Capital grants and contributions	559,321	-	559,321	1,455,381	650,000	2,105,381
General revenues						
Real estate taxes	7,944,831	-	7,944,831	6,990,423	-	6,990,423
Real estate transfer taxes	1,438,657	-	1,438,657	676,147	-	676,147
Earned income tax	4,878,617	-	4,878,617	4,647,372	-	4,647,372
Local services tax	389,840	-	389,840	381,641	-	381,641
Franchise fees	248,722	-	248,722	267,202	-	267,202
Fees and fines	184,554	-	184,554	128,429	-	128,429
Investment earnings	131,047	125,279	256,326	34,463	62,464	96,927
Grants not restricted to a specific program	20,176	-	20,176	10,102	-	10,102
Gain on sale of asset	-	8,550	8,550	-	12,650	12,650
Miscellaneous	-	41,004	41,004	-	9,581	9,581
Transfers	17,378	(17,378)	-	-	-	-
TOTAL REVENUES	19,975,445	12,532,551	32,507,996	21,166,581	12,279,356	33,445,937
EXPENSES						
General government	2,247,967	-	2,247,967	1,735,877	-	1,735,877
Public safety	10,142,763	-	10,142,763	9,614,579	-	9,614,579
Public works	2,125,335	-	2,125,335	2,029,291	-	2,029,291
Culture and recreation	1,286,559	-	1,286,559	1,150,808	-	1,150,808
Interest on long-term debt	485,832	-	485,832	514,983	-	514,983
Water operations	-	4,637,299	4,637,299	-	4,411,257	4,411,257
Sewer operations	-	2,500,966	2,500,966	-	2,259,051	2,259,051
Parking operations	-	892,172	892,172	-	747,519	747,519
Sanitation operations	-	2,281,464	2,281,464	-	2,136,090	2,136,090
TOTAL EXPENSES	16,288,456	10,311,901	26,600,357	15,045,538	9,553,917	24,599,455
CHANGE IN NET POSITION	\$ 3,686,989	\$ 2,220,650	\$ 5,907,639	\$ 6,121,043	\$ 2,725,439	\$ 8,846,482

BOROUGH OF PHOENIXVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2024

GOVERNMENTAL ACTIVITIES

The Borough recognized an increase in Governmental Activities of \$3,686,989.

Governmental Activities bore expenditures of \$16,288,456 for the year ending 2024. All taxes provided 73% (\$14,651,945) of the revenues that offset the corresponding expenses of these activities. Those who directly benefited from these programs contributed 9% (\$1,725,199). The remainder of the revenue base was generated from intergovernmental aid, investment earnings and various fines (see pages 11 and 19 for a detailed breakout).

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

To further delineate:

- (a) Revenue recognition of \$1,956,362 was partially a result of an increase in the real estate tax millage, from 7.69 in 2023 to 8.32 for 2024, the remainder was a result of an increase in both EIT and real estate transfer tax.
- (b) The Borough received Grant monies totaling \$2,996,424 in 2024. The Liquid fuels funds represented \$559,321. The remainder of the overall total is primarily derived from Fireman's Relief and the Municipal and State Aid for both Non-Uniform and Police Pensions.

BUSINESS-TYPE ACTIVITIES

The net increase from the Borough's business-type activities was \$2,220,650 compared to \$2,725,439 the previous year as referenced in Table 2, page 11. Even though construction in the Borough continues, some fees for these projects have been recognized in previous years. As with the other Borough funds, the Borough continued the budgeting method for business-type activities as a modified zero based and line-item budgeting.

The cost of all business-type activities was \$10,311,901 (compared to \$9,553,917 in 2023). Business Type Activities are comprised of the Water, Sewer, Parking, and Sanitation Funds. All departments saw large increases. Sanitation witnessed an increase in tipping fees and materials as well as general supply expenditures; parking operations increased as the Borough filled vacant positions in 2024, which, in turn, impacted personnel expense. Sewer experienced increased expenditures due to equipment for the HTC Biosolids project. Water needed additional supplies to support the growing demand due to real estate development within the Borough.

FINANCIAL ANALYSIS OF THE BOROUGH'S FUNDS

Most of the Borough's activities are reported in Governmental Funds. Governmental Funds are reported using the modified accrual accounting method which measures cash and all other financial assets that can readily be converted to cash. Included here are the General, Debt Service, Pension/Retirement, Recreation, Fire, and Liquid Fuels Funds. The most prominent fund is the General Fund.

BOROUGH OF PHOENIXVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2024

As of December 31, 2024, the combined total of the Borough's Governmental Funds was \$19,593,502. This represents an increase of \$1,423,271 as compared to the prior year. Approximately 34% or \$6,723,721 constitutes unassigned fund balance.

The remainder of the fund balance is broken down into four categories: Nonspendable, restricted for, committed to and assigned to. The chart in Note K shows items under each category.

GENERAL FUND

The General Fund is the chief operating fund of the Borough of Phoenixville. As of December 31, 2024, the total fund balance in this fund was \$14,410,948 compared to the previous year's balance of \$13,520,864. The increase resulted, primarily, from real estate, earned income and real estate transfer taxes, along with recognition of ARPA / SLFRF funds.

SPECIAL REVENUE FUNDS

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

Debt Service Fund

On an annual basis, the Borough utilizes a portion of property taxes for debt reduction. In 2024, the Fund Balance that was assigned to debt service was \$107,935. (See page 75 for additional detail regarding this Fund).

Retirement/Pension Fund

The Commonwealth of Pennsylvania allotted \$843,068 to the Borough for its Uniform and Non-Uniform pension plans in 2024 (\$720,987 in 2023). The Borough contributed \$623,608 in 2024 to the Police and Non-Uniform pension plans (as compared to \$62,590 in 2023). These additional funds were necessary in order to meet the minimum municipal obligation of the Borough. The change rests with the use of different actuarial tables in the calculation. This change is a more accurate reflection of rates today.

Liquid Fuels Fund

The Borough received \$483,641 (compared to \$486,852 in 2023) from the Commonwealth of Pennsylvania to pay for various expenses including roadway resurfacing and snow removal.

Recreation Fund

In 2024, the Borough allotted \$1,219,659 of the total tax revenue to recreation. At the close of 2024, fund balance was \$2,321,881 compared to \$2,140,989 in 2023. The millage rate for the recreation fund decreased from 1.52 mills in 2023 to 1.31 mills in 2024.

BOROUGH OF PHOENIXVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2024

Fire Fund

The Borough received \$125,546 (compared to \$119,022 in 2023) from the Commonwealth of Pennsylvania for volunteer firefighting. In 2024, real estate taxes contributed \$2,078,636 to the Fire Fund revenue base. The operating expenditures from this fund for fire protection were \$1,631,635.

Other Governmental Funds General

Other Governmental Fund Balance at year end 2024 was \$3,836,614, up \$302,263 from 2023. This is primarily due tax millage rate overall increase from 7.69 mills in 2023 to 8.32 mills in 2024.

PROPRIETARY FUNDS

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

Unrestricted net position of the Sewer, Water, Parking and Sanitation Funds at the end of the year is \$17,374,745 as compared to \$15,947,898 in 2023, representing an increase in unrestricted net position of \$1,426,847. Factors contributing to the finances of these funds are already addressed in the discussion of the Borough's business-type activities. The Borough implemented increases in the water, sanitation and parking departments.

GENERAL FUND BUDGETARY HIGHLIGHTS

The statement comparing the Borough's budget and actual results can be found on page 67.

Revenue

The Borough balanced its original General Fund budget with funds from several types of sources.

- Real estate taxes, earned income taxes, real estate transfer taxes, and other taxes provided approximately 76% of General Fund revenues.
- Approximately 8% of the funds were generated by charges for services which included building permits, fees and other charges.
- 11% of the funds came from other local governments and the State of Pennsylvania.
- 5% of the funds came from miscellaneous sources which included interest earnings, business licenses and fines.

BOROUGH OF PHOENIXVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2024

Expenditures

The Borough maintained a conservative budget in 2024. The following statements are representative of the final 2024 budget.

- 10% of the General Fund budget is for General Government expenditures.
- 68% was for Public Safety including Police and Crossing Guards.
- 16% was budgeted for Public Works programs.
- 6% was budgeted for Cultural and Recreation in the General Fund.

The tax millage rate was 8.32 in 2024. In the General Fund the millage was 4.89; in the Recreation Fund, 1.31 and Fire Fund, 2.12.

Revenues exceeded the year above budget and expectations. The Borough recognized revenues of \$2,971,132 above the adopted budget. The major contributors were increased real estate tax along with EIT collections in excess of expectation. The three major contributors to the increase were receipt of the RCAP funding, recognition of the ARPA funds in the general fund and the increase in tax revenue.

Expenditures were over budget by \$888,913. This was primarily due to expenditures associated with the Mowere Road Project, which is now complete.

DEBT ADMINISTRATION

As of December 31, 2024, the Borough had total outstanding long-term bond debt of \$20,800,000. This consists of the 2022 refunding of the 2012 Bond debt and the 2020 Bond for the construction of the Recreation and Fire Buildings (See Note F).

Other obligations included accrued vacation pay and severance for specific employees of the Borough. Detailed information regarding Long Term Obligations can be found in the Notes to Basic Financial Statements.

THE BOROUGH'S FUTURE

Future budgets should consider a number of important issues that include:

- Continued focus on infrastructure;
- Concentration on the growth and stabilization within the Borough;
- Continued concentration on energy efficient solutions within the Borough.

BOROUGH OF PHOENIXVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2024

While the Borough continued on its growth trajectory in 2024, it did so at a slower pace. New construction continued. The progress of planned residential communities and commercial businesses will continue to evolve within the upcoming years and is parallel with the sustainability efforts of the Borough. The Borough strives to provide a myriad of activities and events for the populace. With the continuation of the numerous Community events, which include the Blobfest, Dogwood Festival and the like, coupled with the First Friday venue, it has cemented its commitment to the constituents. These events attract individuals from surrounding areas to experience all the Borough has to offer, while providing a safe and clean environment.

The Recreation Center continues to envelope the community and has expanded its programs for all individuals. From the eighteen youth camps, to the 25 programs that attract not only the sports minded but the art and mind stimulated individuals as well, young persons can walk through the doors and participate in many of the offerings that are available. There are activities for adult participants as well, which include pickleball, yoga, volleyball, cardio dance and painting, to name a few. The Borough does not take lightly, its' promise to provide activities that stimulate the health and wellness of our youth, elders and even our four-legged friends. With the various outdoor activities, the parks and the extensive trail system, the Borough continues to promote the walk and rideability of the community.

As growth continues, the Borough continues to stress community safety. We have renewed the contract with Tower Health Ambulance, we have increased the full time Fire Staff and police, and we continue to invest in necessary equipment that propels a sound community.

The Borough has not relented on its promise for a greener community. Solar panels have been installed on the Borough Hall building; we are in the process of finalizing solar options at the Recreation Center; we will continue to explore options at the Fire Station; we have implemented a plastic bag ban within the Borough; we march forward with the Tree Replacement Program and have installed electric charging stations within our parking lots throughout the Borough; we are now a registered Bird-Town. All of these efforts are being done to congeal a better tomorrow for the ever-growing constituents.

We continue to move forward with the PXV NEO project (Hydrothermal Carbonization (HTC)). The process, when complete, will be a more environmentally friendly practice processing waste. This process is an enhancement to the current anaerobic manner in which this is completed. This process will provide benefits that are far reaching, which, may include the Borough powering its wastewater plant. Also, the resulting byproducts could produce products that benefit other industries. (i.e. coal, improved fertilizers and construction sand.

The Borough has been successful with grant acquisition, which, fuels the opportunities and forward movement of many of the projects.

With Council, Management and Staff moving in unison with its beliefs, commitment, and vision, the movement towards a better tomorrow shall thrive. continue to share a unified vision of safety, a greener tomorrow, coupled with commitment to the community, the Borough of Phoenixville shall continue to propagate.

BOROUGH OF PHOENIXVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2024

FINANCIAL MANAGEMENT

The Borough of Phoenixville's financial report is designed to provide a general overview of the Borough's financial position and to show the Board's accountability for monies received. If there are any questions regarding this report or you wish to request additional financial information, please contact the Borough Manager at 351 Bridge Street, Phoenixville, PA 19460.

BOROUGH OF PHOENIXVILLE
STATEMENT OF NET POSITION
DECEMBER 31, 2024

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 21,164,905	\$ 15,411,918	\$ 36,576,823
Accounts receivable, net	1,986,957	1,780,825	3,767,782
Internal balances	(833,057)	833,057	-
Net pension asset	435,850	-	435,850
Inventories	-	120,502	120,502
Prepaid items	8,289	3,888	12,177
Capital assets			
Land	3,859,979	346,855	4,206,834
Construction in progress	3,052,418	7,342,164	10,394,582
Capital assets, net	37,826,403	31,043,401	68,869,804
TOTAL ASSETS	<u>67,501,744</u>	<u>56,882,610</u>	<u>124,384,354</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on bond refunding	118,227	-	118,227
Deferred outflows of resources - OPEB activity	506,813	116,923	623,736
Deferred outflows of resources - pension activity	1,380,589	269,540	1,650,129
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>2,005,629</u>	<u>386,463</u>	<u>2,392,092</u>
LIABILITIES			
Accounts payable and accrued expenses	1,734,117	328,142	2,062,259
Unearned revenues	850,894	2,088	852,982
Accrued interest	16,300	23,342	39,642
Long-term liabilities			
Portion due or payable within one year			
Bonds payable	725,007	579,992	1,304,999
Bond premiums	77,639	58,468	136,107
Compensated absences	377,608	89,624	467,232
Portion due or payable after one year			
Bonds payable	18,246,693	1,248,308	19,495,001
Bond premiums	1,357,897	204,637	1,562,534
Compensated absences	456,382	85,311	541,693
Net pension liability	220,270	78,158	298,428
Total other postemployment benefits liability	1,572,808	286,046	1,858,854
TOTAL LIABILITIES	<u>25,635,615</u>	<u>2,984,116</u>	<u>28,619,731</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - OPEB activity	1,237,167	218,959	1,456,126
Deferred inflows of resources - pension activity	395,114	109,101	504,215
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,632,281</u>	<u>328,060</u>	<u>1,960,341</u>
NET POSITION			
Net investment in capital assets	24,449,791	36,641,015	61,090,806
Restricted for			
Net pension asset	435,850	-	435,850
Remaining governmental funds	7,515,742	-	7,515,742
Unrestricted	9,838,094	17,315,882	27,153,976
TOTAL NET POSITION	<u>\$ 42,239,477</u>	<u>\$ 53,956,897</u>	<u>\$ 96,196,374</u>

See accompanying notes to the basic financial statements.

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BOROUGH OF PHOENIXVILLE

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2024

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General government	\$ 2,247,967	\$ 327,331	\$ 888,073	\$ -
Public safety	10,142,763	1,077,436	157,977	-
Public works	2,125,335	-	1,391,053	559,321
Culture and recreation	1,286,559	320,432	-	-
Interest on long-term debt	485,832	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	16,288,456	1,725,199	2,437,103	559,321
BUSINESS-TYPE ACTIVITIES				
Water Fund	4,637,299	4,990,595	-	-
Sewer Fund	2,500,966	3,311,233	-	-
Parking Fund	892,172	1,290,666	-	-
Sanitation Fund	2,281,464	2,465,811	316,791	-
TOTAL BUSINESS-TYPE ACTIVITIES	10,311,901	12,058,305	316,791	-
TOTAL BOROUGH ACTIVITIES	\$ 26,600,357	\$ 13,783,504	\$ 2,753,894	\$ 559,321

GENERAL REVENUES

Taxes

Property taxes, levied for general purposes

Franchise fees

Public service taxes

Fees and fines

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Miscellaneous

Gain on sale of assets

TRANSFERS

TOTAL GENERAL REVENUES AND TRANSFERS

CHANGE IN NET POSITION

NET POSITION AT BEGINNING OF YEAR, AS PREVIOUSLY REPORTED

RESTATEMENT FOR CORRECTION OF AN ERROR

NET POSITION - BEGINNING, AS RESTATED

NET POSITION AT END OF YEAR

See accompanying notes to the basic financial statements.

<u>Net (Expense) Revenue and Changes in Net Position</u>		
<u>Governmental</u>	<u>Business-Type</u>	
<u>Activities</u>	<u>Activities</u>	<u>Totals</u>
\$ (1,032,563)	\$ -	\$ (1,032,563)
(8,907,350)	-	(8,907,350)
(174,961)	-	(174,961)
(966,127)	-	(966,127)
<u>(485,832)</u>	<u>-</u>	<u>(485,832)</u>
<u>(11,566,833)</u>	<u>-</u>	<u>(11,566,833)</u>
-	353,296	353,296
-	810,267	810,267
-	398,494	398,494
<u>-</u>	<u>501,138</u>	<u>501,138</u>
<u>-</u>	<u>2,063,195</u>	<u>2,063,195</u>
<u>(11,566,833)</u>	<u>2,063,195</u>	<u>(9,503,638)</u>
7,944,831	-	7,944,831
248,722	-	248,722
6,707,114	-	6,707,114
184,554	-	184,554
20,176	-	20,176
131,047	125,279	256,326
-	41,004	41,004
-	8,550	8,550
<u>17,378</u>	<u>(17,378)</u>	<u>-</u>
<u>15,253,822</u>	<u>157,455</u>	<u>15,411,277</u>
3,686,989	2,220,650	5,907,639
37,583,959	51,736,247	89,320,206
<u>968,529</u>	<u>-</u>	<u>968,529</u>
<u>38,552,488</u>	<u>51,736,247</u>	<u>90,288,735</u>
<u>\$ 42,239,477</u>	<u>\$ 53,956,897</u>	<u>\$ 96,196,374</u>

BOROUGH OF PHOENIXVILLE

BALANCE SHEET

GOVERNMENTAL FUNDS

DECEMBER 31, 2024

	General Fund	Fire Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 15,953,873	\$ 1,359,016	\$ 3,852,016	\$ 21,164,905
Taxes receivable, net	134,690	-	-	134,690
Other receivables	1,822,668	18,198	11,401	1,852,267
Prepaid expenses	7,298	485	506	8,289
TOTAL ASSETS	\$ 17,918,529	\$ 1,377,699	\$ 3,863,923	\$ 23,160,151
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable and other current liabilities	\$ 1,675,049	\$ 31,759	\$ 27,309	\$ 1,734,117
Due to other funds	833,057	-	-	833,057
Unearned revenues	864,785	-	-	864,785
TOTAL LIABILITIES	3,372,891	31,759	27,309	3,431,959
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues, property taxes	134,690	-	-	134,690
FUND BALANCES				
Nonspendable, prepaid items	7,298	485	506	8,289
Restricted (Note K)	6,273,429	-	1,242,313	7,515,742
Committed (Note K)	1,406,500	1,345,455	2,321,375	5,073,330
Assigned (Note K)	-	-	272,420	272,420
Unassigned	6,723,721	-	-	6,723,721
TOTAL FUND BALANCES	14,410,948	1,345,940	3,836,614	19,593,502
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 17,918,529	\$ 1,377,699	\$ 3,863,923	\$ 23,160,151

See accompanying notes to the basic financial statements.

BOROUGH OF PHOENIXVILLE

RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES DECEMBER 31, 2024

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 19,593,502
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. These assets consist of:</p>	
Land	3,859,979
Construction in progress	3,052,418
Depreciable capital assets, net	37,826,403
<p>Deferred outflows of resources related to bond and note refundings are not financial resources and therefore not reported in the governmental funds.</p>	
	118,227
<p>Deferred inflows and outflows of resources related to pension and OPEB activities are not financial resources and, therefore, are not reported in the Governmental Funds.</p>	
	255,121
<p>Some of the Borough's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.</p>	
	148,581
<p>Bond premiums are not recorded as liabilities in the Governmental Funds, however, these items are recorded as a liability and amortized in the government-wide statements.</p>	
	(1,435,536)
<p>Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:</p>	
Accrued interest	(16,300)
Bonds payable in future years	(18,971,700)
Compensated absences	(833,990)
Net pension asset	435,850
Net pension liability	(220,270)
Other postemployment benefits	<u>(1,572,808)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 42,239,477</u>

See accompanying notes to the basic financial statements.

BOROUGH OF PHOENIXVILLE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2024

	General Fund	Fire Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 11,329,622	\$ 2,078,636	\$ 1,219,659	\$ 14,627,917
Fees and fines	184,554	-	-	184,554
Licenses and permits	253,472	-	-	253,472
Intergovernmental	1,583,623	125,546	1,326,709	3,035,878
Charges for services	1,205,451	255	320,432	1,526,138
Investment earnings	95,340	9,290	26,417	131,047
Miscellaneous	199,061	-	-	199,061
TOTAL REVENUES	<u>14,851,123</u>	<u>2,213,727</u>	<u>2,893,217</u>	<u>19,958,067</u>
EXPENDITURES				
Current				
General government	832,552	-	1,466,676	2,299,228
Public safety	7,559,508	1,631,635	-	9,191,143
Public works	4,079,636	-	374,832	4,454,468
Culture and recreation	389,362	-	1,021,142	1,410,504
Debt service				
Principal	-	-	696,506	696,506
Interest and other charges	-	-	542,376	542,376
TOTAL EXPENDITURES	<u>12,861,058</u>	<u>1,631,635</u>	<u>4,101,532</u>	<u>18,594,225</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,990,065</u>	<u>582,092</u>	<u>(1,208,315)</u>	<u>1,363,842</u>
OTHER FINANCING SOURCES (USES)				
Sale of fixed assets	42,051	-	-	42,051
Interfund transfers in	17,378	-	1,862,146	1,879,524
Interfund transfers out	(1,159,410)	(351,168)	(351,568)	(1,862,146)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,099,981)</u>	<u>(351,168)</u>	<u>1,510,578</u>	<u>59,429</u>
NET CHANGE IN FUND BALANCES	890,084	230,924	302,263	1,423,271
FUND BALANCES AT BEGINNING OF YEAR, AS PREVIOUSLY REPORTED				
	12,552,335	1,115,016	3,534,351	17,201,702
RESTATEMENT FOR CORRECTION OF AN ERROR	<u>968,529</u>	<u>-</u>	<u>-</u>	<u>968,529</u>
FUND BALANCE - BEGINNING, AS RESTATED	<u>13,520,864</u>	<u>1,115,016</u>	<u>3,534,351</u>	<u>18,170,231</u>
FUND BALANCES AT END OF YEAR	<u>\$ 14,410,948</u>	<u>\$ 1,345,940</u>	<u>\$ 3,836,614</u>	<u>\$ 19,593,502</u>

See accompanying notes to the basic financial statements.

BOROUGH OF PHOENIXVILLE

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2024

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 1,423,271
<p>Capital outlays are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$3,199,655) exceed depreciation (\$1,561,559) in the current period.</p>	1,638,096
<p>The net effect of other transactions involving capital assets.</p>	(21,887)
<p>Issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds.</p>	
Amortization of bond premium	77,639
Repayment of bond principal	696,505
Deferred charges on bond refunding	(23,479)
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the Governmental Funds because interest is recognized as an expenditure in the funds when it is due and, thus, requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.</p>	2,385
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in Governmental Funds:</p>	
Other postemployment benefits	51,070
Net pension activities	(75,154)
Compensated absences	(81,457)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 3,686,989</u>

See accompanying notes to the basic financial statements.

BOROUGH OF PHOENIXVILLE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2024

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Parking Fund</u>	<u>Sanitation Fund</u>	<u>Total Proprietary Funds</u>
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 6,254,101	\$ 5,575,755	\$ 1,368,829	\$ 2,213,233	\$ 15,411,918
Accounts receivable, net	983,831	763,459	-	33,535	1,780,825
Due from other funds	1,456,057	-	-	-	1,456,057
Inventories	117,622	2,880	-	-	120,502
Prepaid expenses	1,657	718	341	1,172	3,888
TOTAL CURRENT ASSETS	<u>8,813,268</u>	<u>6,342,812</u>	<u>1,369,170</u>	<u>2,247,940</u>	<u>18,773,190</u>
CAPITAL ASSETS					
Land	9,502	95,835	192,392	49,126	346,855
Infrastructure	13,866,085	-	761,813	-	14,627,898
Construction in progress	667,558	6,662,189	12,417	-	7,342,164
Buildings	14,182,937	20,750,627	-	58,618	34,992,182
Equipment and furniture	3,972,520	1,931,436	548,540	3,422,948	9,875,444
Accumulated depreciation	(15,824,883)	(10,464,110)	(456,199)	(1,706,931)	(28,452,123)
TOTAL CAPITAL ASSETS	<u>16,873,719</u>	<u>18,975,977</u>	<u>1,058,963</u>	<u>1,823,761</u>	<u>38,732,420</u>
TOTAL ASSETS	25,686,987	25,318,789	2,428,133	4,071,701	57,505,610
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows of resources - OPEB activity	55,465	27,412	5,221	28,825	116,923
Deferred outflows of resources - pension activity	125,045	45,695	21,818	76,982	269,540
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>180,510</u>	<u>73,107</u>	<u>27,039</u>	<u>105,807</u>	<u>386,463</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 25,867,497</u>	<u>\$ 25,391,896</u>	<u>\$ 2,455,172</u>	<u>\$ 4,177,508</u>	<u>\$ 57,892,073</u>

See accompanying notes to the basic financial statements.

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Parking Fund</u>	<u>Sanitation Fund</u>	<u>Total Proprietary Funds</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION					
CURRENT LIABILITIES					
Accounts payable and other liabilities	\$ 189,283	\$ 52,521	\$ 20,693	\$ 65,645	\$ 328,142
Accrued interest	4,632	18,710	-	-	23,342
Due to other funds	-	623,000	-	-	623,000
Unearned revenue	-	-	-	2,088	2,088
Current portion of long-term debt	115,097	464,895	-	-	579,992
Current portion of bond premium	11,603	46,865	-	-	58,468
Current portion of compensated absences	47,175	18,554	4,654	19,241	89,624
TOTAL CURRENT LIABILITIES	<u>367,790</u>	<u>1,224,545</u>	<u>25,347</u>	<u>86,974</u>	<u>1,704,656</u>
NONCURRENT LIABILITIES					
Bonds payable	247,723	1,000,585	-	-	1,248,308
Bond premium, net	40,609	164,028	-	-	204,637
Compensated absences	21,450	40,309	-	23,552	85,311
Total other postemployment benefits liability	142,560	74,648	10,657	58,181	286,046
Net pension liability	36,259	13,250	6,327	22,322	78,158
TOTAL NONCURRENT LIABILITIES	<u>488,601</u>	<u>1,292,820</u>	<u>16,984</u>	<u>104,055</u>	<u>1,902,460</u>
TOTAL LIABILITIES	<u>856,391</u>	<u>2,517,365</u>	<u>42,331</u>	<u>191,029</u>	<u>3,607,116</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows of resources - OPEB activity	100,429	41,221	16,265	61,044	218,959
Deferred inflows of resources - pension activity	50,614	18,496	8,831	31,160	109,101
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>151,043</u>	<u>59,717</u>	<u>25,096</u>	<u>92,204</u>	<u>328,060</u>
NET POSITION					
Net investment in capital assets	16,458,687	17,299,604	1,058,963	1,823,761	36,641,015
Unrestricted	8,401,376	5,515,210	1,328,782	2,070,514	17,315,882
TOTAL NET POSITION	<u>24,860,063</u>	<u>22,814,814</u>	<u>2,387,745</u>	<u>3,894,275</u>	<u>53,956,897</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 25,867,497</u>	<u>\$ 25,391,896</u>	<u>\$ 2,455,172</u>	<u>\$ 4,177,508</u>	<u>\$ 57,892,073</u>

BOROUGH OF PHOENIXVILLE
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2024

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Parking Fund</u>	<u>Sanitation Fund</u>	<u>Total Proprietary Funds</u>
OPERATING REVENUES					
Charges for services	\$ 4,990,595	\$ 3,311,233	\$ 1,290,666	\$ 2,465,811	\$ 12,058,305
Miscellaneous	-	-	25,300	15,704	41,004
Intergovernmental	-	-	-	316,791	316,791
TOTAL OPERATING REVENUES	<u>4,990,595</u>	<u>3,311,233</u>	<u>1,315,966</u>	<u>2,798,306</u>	<u>12,416,100</u>
OPERATING EXPENSES					
Administration	2,080,391	966,999	486,659	1,137,688	4,671,737
Salaries and wages	600,091	275,841	159,726	414,432	1,450,090
Fuel and light	156,930	177,486	-	2,333	336,749
Contracted services	339,387	126,469	56,477	153,884	676,217
Insurance claims and expenses	206,325	265,808	72,341	324,350	868,824
Materials and supplies	281,233	163,659	42,558	82,230	569,680
Miscellaneous	3,950	6,134	-	3,684	13,768
Grant expenses	-	26,659	-	-	26,659
Bad debts	-	15,396	-	-	15,396
Depreciation	938,903	354,999	74,411	162,863	1,531,176
TOTAL OPERATING EXPENSES	<u>4,607,210</u>	<u>2,379,450</u>	<u>892,172</u>	<u>2,281,464</u>	<u>10,160,296</u>
OPERATING INCOME	<u>383,385</u>	<u>931,783</u>	<u>423,794</u>	<u>516,842</u>	<u>2,255,804</u>
NONOPERATING REVENUES (EXPENSES)					
Interest and investment revenue	39,964	45,695	6,478	33,142	125,279
Gain on disposal of capital assets	-	-	-	8,550	8,550
Interest expense	(30,089)	(121,516)	-	-	(151,605)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>9,875</u>	<u>(75,821)</u>	<u>6,478</u>	<u>41,692</u>	<u>(17,776)</u>
INCOME BEFORE TRANSFERS	393,260	855,962	430,272	558,534	2,238,028
TRANSFERS OUT	-	-	-	(17,378)	(17,378)
CHANGE IN NET POSITION	393,260	855,962	430,272	541,156	2,220,650
NET POSITION AT BEGINNING OF YEAR	<u>24,466,803</u>	<u>21,958,852</u>	<u>1,957,473</u>	<u>3,353,119</u>	<u>51,736,247</u>
NET POSITION AT END OF YEAR	<u>\$ 24,860,063</u>	<u>\$ 22,814,814</u>	<u>\$ 2,387,745</u>	<u>\$ 3,894,275</u>	<u>\$ 53,956,897</u>

See accompanying notes to the basic financial statements.

BOROUGH OF PHOENIXVILLE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2024

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Parking Fund</u>	<u>Sanitation Fund</u>	<u>Total Proprietary Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 4,910,862	\$ 3,245,487	\$ 1,290,666	\$ 2,447,978	\$ 11,894,993
Payments to employees	(2,692,520)	(1,240,200)	(648,853)	(1,592,027)	(6,173,600)
Payments to suppliers	(286,469)	(1,362,317)	(160,984)	(536,992)	(2,346,762)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,931,873</u>	<u>642,970</u>	<u>480,829</u>	<u>318,959</u>	<u>3,374,631</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition, construction and improvements of capital assets	(967,789)	(251,210)	(277,728)	(276,603)	(1,773,330)
Proceeds from sales of capital assets	-	-	-	8,550	8,550
Principal paid on capital debt	(109,839)	(443,656)	-	-	(553,495)
Interest paid on capital debt	(30,767)	(124,273)	-	-	(155,040)
Amortization on capital debt	(11,603)	(46,865)	-	-	(58,468)
Miscellaneous contributions	1,450	-	25,300	15,704	42,454
Proceeds from grant	-	-	-	316,791	316,791
Transfers to other funds	-	-	-	(17,378)	(17,378)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,118,548)</u>	<u>(866,004)</u>	<u>(252,428)</u>	<u>47,064</u>	<u>(2,189,916)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Earnings on investments	<u>39,964</u>	<u>45,695</u>	<u>6,478</u>	<u>33,142</u>	<u>125,279</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	853,289	(177,339)	234,879	399,165	1,309,994
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>5,400,812</u>	<u>5,753,094</u>	<u>1,133,950</u>	<u>1,814,068</u>	<u>14,101,924</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 6,254,101</u>	<u>\$ 5,575,755</u>	<u>\$ 1,368,829</u>	<u>\$ 2,213,233</u>	<u>\$ 15,411,918</u>

BOROUGH OF PHOENIXVILLE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2024

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Parking Fund</u>	<u>Sanitation Fund</u>	<u>Total Proprietary Funds</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating income	\$ 383,385	\$ 931,783	\$ 423,794	\$ 516,842	\$ 2,255,804
Proceeds from grant/contributions	-	-	(25,300)	(332,495)	(357,795)
Adjustments to reconcile operating income to net cash provided (used) by operating activities					
Depreciation	938,903	354,999	74,411	162,863	1,531,176
Pension expense	(5,002)	(2,723)	(1,495)	(4,595)	(13,815)
OPEB expense	(7,837)	(2,865)	-	(4,826)	(15,528)
(Increase) decrease in					
Accounts receivable	(79,733)	(65,746)	-	(4,850)	(150,329)
Inventories	36,526	288	-	-	36,814
Prepaid expenses	260	(31)	(1)	(69)	159
Due from other funds	615,000	-	-	-	615,000
Increase (decrease) in					
Due to other funds	-	(600,000)	-	-	(600,000)
Accounts payable and other liabilities	49,570	19,037	10,393	29,558	108,558
Compensated absences	801	8,228	(973)	(30,486)	(22,430)
Unearned revenue	-	-	-	(12,983)	(12,983)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,983)</u>	<u>(12,983)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,931,873</u>	<u>\$ 642,970</u>	<u>\$ 480,829</u>	<u>\$ 318,959</u>	<u>\$ 3,374,631</u>

See accompanying notes to the basic financial statements.

BOROUGH OF PHOENIXVILLE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2024

	<u>Pension Funds</u>	<u>Custodial Funds</u>
ASSETS		
Cash and cash equivalents	\$ <u>1,628,053</u>	\$ <u>1,411,950</u>
Investments		
Mutual funds, at fair value	35,829,424	-
Unallocated insurance contract, at contract value	<u>826,757</u>	<u>-</u>
TOTAL INVESTMENTS	<u>36,656,181</u>	<u>-</u>
TOTAL ASSETS	<u>38,284,234</u>	<u>1,411,950</u>
NET POSITION		
Restricted for pensions	38,284,234	-
Restricted for custodial purposes	<u>-</u>	<u>1,411,950</u>
TOTAL NET POSITION	<u>\$ <u>38,284,234</u></u>	<u>\$ <u>1,411,950</u></u>

See accompanying notes to the basic financial statements.

BOROUGH OF PHOENIXVILLE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED DECEMBER 31, 2024

	<u>Pension Funds</u>	<u>Custodial Funds</u>
ADDITIONS		
Contributions		
Employer	\$ 1,466,676	\$ -
Employee	114,506	-
Developers	-	2,400,381
Total contributions	<u>1,581,182</u>	<u>2,400,381</u>
Investment income		
Net increase in fair value of investments	2,823,698	-
Realized gains on sale of investments	52,883	-
Interest	335,968	-
Dividends	646,578	-
Investment management expense	(115,754)	-
Net investment income	<u>3,743,373</u>	<u>-</u>
TOTAL ADDITIONS	<u>5,324,555</u>	<u>2,400,381</u>
DEDUCTIONS		
Benefits	1,476,632	-
Administrative	17,845	-
Return of escrow payments	-	1,532,328
TOTAL DEDUCTIONS	<u>1,494,477</u>	<u>1,532,328</u>
CHANGE IN NET POSITION	3,830,078	868,053
NET POSITION AT BEGINNING OF YEAR	<u>34,454,156</u>	<u>543,897</u>
NET POSITION AT END OF YEAR	<u>\$ 38,284,234</u>	<u>\$ 1,411,950</u>

See accompanying notes to the basic financial statements.

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Borough of Phoenixville (the "Borough") complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

Reporting Entity

Financial accountability is defined in Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus--An Amendment of GASB Statements No. 14 and No 34*. The Borough is financially accountable for legally separate organizations if it appoints a voting majority of the organization's board and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Borough. The Borough also may be financially accountable if an organization is fiscally dependent on the Borough regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board.

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

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

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the Borough as a whole. These statements distinguish between activities that are governmental and those that are considered business-type. These statements exclude fiduciary activities such as Pension and Custodial Funds.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting as further defined under Proprietary Funds below. This is the same approach used in the preparation of the Proprietary Funds' financial statements but differs from the manner in which Governmental Funds financial statements are prepared. Therefore, Governmental Funds' financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the statements of Governmental Funds.

The government-wide statement of activities presents a comparison between expenses and program revenues for each different identifiable activity of the business-type activities of the Borough and for each governmental program. Expenses are those that are specifically associated with a service or program and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each function is self-financing or draws from the general revenues of the Borough.

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Internal activity is limited to interfund transfers which are eliminated to avoid “doubling up” revenues and expenses. Net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other purposes results from Special Revenue Funds and the restrictions on their net position use.

Fund Financial Statements - Fund financial statements report detailed information about the Borough. The focus of Governmental and Enterprise Funds financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. The major Governmental Fund is presented in a single column on the Governmental Fund financial statements. Fiduciary Funds financial statements are presented by fund type.

The Borough reports the following major Governmental Funds:

- The *General Fund* is the Borough’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Fire Fund* accumulates resources for the operation of fire facilities and emergency services within the Borough.

The Borough reports the following Proprietary Funds:

- The *Water Fund* accumulates resources necessary for water supply to the Borough.
- The *Sewer Fund* accumulates resources necessary for the operation of the sewage collection system.
- The *Sanitation Fund* accumulates resources necessary to fund trash pickup services in the Borough.
- The *Parking Fund* accumulates resources for the operation of parking facilities and enforcement within the Borough.

Governmental Funds - All Governmental Funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. Major Governmental Funds of the Borough include the General Fund and the Fire Fund. All other Governmental Funds are grouped together and presented in a separate column as Other Governmental Funds. They include the Liquid Fuels Fund, the Debt Service Fund, the Recreation Fund and the Pension Fund.

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition - In applying the “susceptible to accrual concept” under the modified accrual basis, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Borough considers property and earned income tax revenue to be available if collected within 60 days of the end of the fiscal period.

Revenues for state and federally funded projects are recognized at the time all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Borough must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Borough on a reimbursement basis.

Property tax and earned income tax receivables collected after 60 days from year-end, though measurable, are not available soon enough in the subsequent year to finance current period obligations. Therefore, property and earned income tax receivables are recorded and deferred until they become available.

Other revenues, including certain other charges for services and miscellaneous revenues, are recorded as revenue when received in cash because they generally are not measurable until actually received.

Expenditure Recognition - The measurement focus of Governmental Funds accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and recorded when the related fund liability is incurred. However, principal and interest on general long-term debt which has not matured are recognized when paid. Further, as provided in GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, certain Governmental Funds’ liabilities and expenditures, such as compensated absences, are recognized to the extent the liabilities mature (come due for payment) each period. Allocations of costs, such as depreciation and amortization, are not recognized in the Governmental Funds.

Proprietary Funds - Proprietary Funds are accounted for using the accrual basis of accounting. These funds account for operations financed primarily by user charges. The economic resource focus concerns determining costs as a means of maintaining capital investment and management control. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. Allocations of certain costs, such as depreciation, are recorded in the Proprietary Funds. The Borough’s only Proprietary Funds are Enterprise Funds.

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

These funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Proprietary Funds' principal ongoing operations. The principal operating revenues of the Borough's Enterprise Funds are user fees. Operating expenses for the Borough's Enterprise Funds include sewer disposal, solid waste disposal, salaries, recycling, supplies and administrative costs and depreciation. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary Funds

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

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

Budgets and Budgetary Accounting

The Borough is required by state law to adopt annual budgets for the General Fund. The budget is presented on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles. The following procedures are followed in establishing the budgetary data reflected in the financial statements:

- Prior to November 15 of the preceding fiscal year, the Borough prepares a budget for the next succeeding calendar year beginning January 1. The operating budget includes proposed expenditures and the means of financing them.
- A meeting of the Borough Council members is then called for the purpose of adopting the proposed budget.
- Prior to December 31, the budget is legally enacted through passage of a resolution by the Borough Council.
- The budget must be filed with the Pennsylvania Department of Community and Economic Development by January 31.

Once a budget is approved, it can be amended at the function and fund level only by approval of a majority of the members of Borough Council. Amendments are presented to Borough Council at its regular meetings. Each amendment must have Borough Council approval. Such amendments are made before the fact, are reflected in the official minutes of the Borough Council and are not made after fiscal year-end as dictated by law.

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The budget is controlled by the finance officer at the revenue and expenditure function/object level. Budgeted amounts are as amended by Borough Council. Individual amendments were not material in relation to the original appropriations. All budget appropriations lapse at year-end.

Cash and Cash Equivalents

The Borough's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition and no restrictions on withdrawal.

Investments

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

Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the entity-wide financial statements as "internal balances."

Allowance for Doubtful Accounts

The Borough's policy is to establish an allowance for any unpaid balance greater than 90 days past due with no payments received in the last 12 months. As of December 31, 2024, the allowance for doubtful accounts was \$24,690 in the General Fund, \$9,862 in the Sanitation Fund, \$14,617 in the Water Fund, and \$28,053 in the Sewer Fund.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the entity-wide financial statements as well as in the Proprietary Funds financial statements. Capital assets are defined by the Borough as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. The Borough reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the entity-wide financial statements regardless of their amount. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the lives of the assets are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed, inclusive of ancillary costs.

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

	<u>Years</u>
Buildings and improvements	5-50
Infrastructure	5-50
Vehicles	5-25
Machinery and equipment	3-30

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Borough has three items that qualify for reporting in this category. The first item, deferred charges on bond refunding, results from the difference in carrying value of refunded debt and its reacquisition prices. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other items, deferred outflow of resources related to pensions and OPEB activities are reported in the government-wide and proprietary fund statement of net position and are deferred and recognized as outflows of resources in the period the amounts become available.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Borough has three items that qualify for reporting in this category. Unavailable revenues, which arise only under a modified accrual basis of accounting, are reported only in the Governmental Funds balance sheet. The Governmental Funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other items, deferred inflows of resources related to pensions and OPEB activities are reported in the government-wide and proprietary fund statement of net position and are deferred and recognized as inflows of resources in the period the amounts become due.

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Full-time employees are granted vacation benefits in varying amounts to specified maximums. Upon leaving employment at the Borough, employees are paid for their unused vacation days at their current pay rate. Sick leave accrues to full-time, non-uniform, permanent employees and can be carried over from year to year. However, at retirement or upon leaving the Borough, non-uniform employees with over ten years of service and hired prior to January 1, 2017, will be paid for all remaining sick leave at a rate of one day for every three days of unused sick time.

The liability for these compensated absences is recorded as long-term debt in the entity-wide and Proprietary Funds' financial statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, Governmental Funds report a liability for compensated absences only if they have matured. Historically, the General Fund has been responsible for liquidation of compensated absences associated with governmental activities. Compensated absences associated with business-type activities are liquidated from the fund in which the liability was generated.

The Borough implemented GASB Statement No. 101, Compensated Absences, effective January 1, 2024. The objective of GASB 101 is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences.

The adoption of GASB 101 did not have a material impact on the financial statements.

Long-Term Obligations

In the entity-wide financial statements and Proprietary Funds' financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and discounts paid on debt issuances are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures, except for refundings paid from proceeds, which are reported as other financing uses.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to current year presentation.

Net Position Flow Assumption

Sometimes the Borough will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and Proprietary Funds' financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Borough's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance

The Borough has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the Borough's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- ***Nonspendable Fund Balance*** - Amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- ***Restricted Fund Balance*** - Amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government) through constitutional provisions or by enabling legislation. See Note K.
- ***Committed Fund Balance*** - Amounts constrained to specific purposes by the Borough itself, using its highest level of decision-making authority (the Borough Council). To be reported as committed, amounts cannot be used for any other purpose unless the Borough takes the same highest level action to remove or change the constraint. See Note K.

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Assigned Fund Balance** - Amounts the Borough intends to use for a specific purpose. Intent can be expressed by Borough Council or by an official or body to which the Borough Council delegates the authority. The Borough Council has not delegated the authority to assign fund balance as of December 31, 2024. See Note K.
- **Unassigned Fund Balance** - Amounts available for any purpose. Positive amounts are reported only in the General Fund.

Borough Council establishes (and modifies or rescinds) fund balance commitments by passage of a motion. Assigned fund balance is intended to be used by the Borough for specific purposes but does not meet the criteria to be classified as restricted or committed.

The Borough will typically use restricted fund balances first, followed by committed resources and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Restricted Net Position

When both restricted and unrestricted resources are available for use, it is the Borough’s policy to use restricted resources first and then unrestricted resources as they are needed. Administrative expenses are paid with the use of unrestricted resources.

NOTE B - TAXES

For 2024, tax was levied on the assessed value of real estate at a total of 8.32 mills.

The taxable assessed valuation of property as of January 1, 2024, was \$926,443,564.

The real estate tax collection calendar is as follows:

Initial billing.....	March 1
Discount period	March 1 to April 30
Face period	May 1 to June 30
Penalty period	July 1 and thereafter
Lien date	January 31

Other taxes levied in 2024 are as follows:

Real estate transfer tax	1% of sale price
Earned income tax	1% of gross income
LST tax.....	\$52 per person

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

NOTE C - DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the Borough's deposits may not be returned to it. The Borough does not have a policy for custodial credit risk on deposits. The Borough is required by statute to deposit funds in depositories that are either banks, banking institutions, or trust companies located in the Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States, the Commonwealth of Pennsylvania, or any political subdivision of the Commonwealth. Under Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit.

At December 31, 2024, the carrying amount of the Borough's deposits was \$37,988,773, and the bank balance was \$38,580,505. Of the bank balance, \$505,154 was covered by federal depository insurance, \$37,894,503 was exposed to custodial credit risk because it was uninsured and the collateral held by the depository's agent was not in the Borough's name, and \$180,848 of the Borough's deposits is in the PLGIT program, which are funds similar to mutual funds.

The carrying amount of the Borough's Non-Uniform Pension Plan deposits were \$769,774, and the bank balance was \$769,774. Of the bank balance, \$250,000 was covered by federal depository insurance, \$519,774 was exposed to custodial credit risk because it was uninsured and the collateral held by the depository's agent was not in the Borough's name.

The carrying amount of the Borough's Police Pension Plan deposits were \$858,279, and the bank balance was \$858,279. Of the bank balance, \$250,000 was covered by federal depository insurance, \$608,279 was exposed to custodial credit risk because it was uninsured and the collateral held by the depository's agent was not in the Borough's name.

GASB Statement No. 3, Paragraph 69, provides that certain types of cash and investments, such as cash investments in a State Treasurer's investment pool or mutual fund, cannot be assigned a credit risk category because the government does not own specific securities. Therefore, the PLGIT cash investments included in these statements will not be assigned a credit risk category. The carrying amount of these investments at December 31, 2024, is \$180,848 and is included in cash and cash equivalents. These assets maintain a stable net asset value of \$1 per share. All investments are monitored weekly by Standard & Poor's and are subject to an independent audit on an annual basis.

Investments

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

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

The Borough's governmental and proprietary funds did not hold any investments as of December 31, 2024. The following table reflects investments held by the Pension Trust Funds as of December 31, 2024:

	Fair Value	Maturities		
		0-5 Years	5-10 Years	More Than 10 Years
Mutual funds - Domestic equities	\$ 16,774,464	\$ 16,774,464	\$ -	\$ -
Mutual funds - International equities	7,713,257	7,713,257	-	-
Mutual funds - Domestic fixed income	11,341,703	11,341,703	-	-
	<u>\$ 35,829,424</u>	<u>\$ 35,829,424</u>	<u>\$ -</u>	<u>\$ -</u>

See Notes G and H for pension investment policies.

Fair Value Measurements - The Borough categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are those that lack significant observable inputs. At December 31, 2024, the Borough's pension plans held \$35,829,424 in mutual funds, all of which are considered Level 1 investments.

In addition, the pension plans hold \$826,757 of investments in unallocated insurance contracts that are reported at contract value and are not categorized within the fair value hierarchy.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments or collateral security in the possession of an outside party. The Borough does not have a policy for custodial credit risk on deposits.

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

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

NOTE D - INTERFUND BALANCES

Interfund payables and receivables at December 31, 2024 were as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ -	\$ 833,057
Sewer Fund	-	623,000
Water Fund	<u>1,456,057</u>	<u>-</u>
	<u>\$ 1,456,057</u>	<u>\$ 1,456,057</u>

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

Interfund transfers at December 31, 2024 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 17,378	\$ 1,159,410
Fire Fund	-	351,168
Debt Service Fund	1,238,538	-
Recreation Fund	-	351,568
Pension Fund	623,608	-
Sanitation Fund	<u>-</u>	<u>17,378</u>
	<u>\$ 1,879,524</u>	<u>\$ 1,879,524</u>

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

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

NOTE E - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2024, was as follows:

	Balance January 1, 2024	Increases	Decreases	Balance December 31, 2024
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 3,859,980	\$ -	\$ -	\$ 3,859,980
Construction in progress	2,703,295	1,924,437	-	4,627,732
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	6,563,275	1,924,437	-	8,487,712
Capital assets being depreciated				
Buildings and improvements	27,317,859	51,657	-	27,369,516
Infrastructure	15,024,358	460,323	-	15,484,681
Vehicles	3,941,105	414,115	(271,649)	4,083,571
Equipment and furniture	3,265,986	349,123	(44,170)	3,570,939
TOTAL CAPITAL ASSETS BEING DEPRECIATED	49,549,308	1,275,218	(315,819)	50,508,707
Accumulated depreciation				
Buildings and improvements	(2,889,558)	(590,429)	-	(3,479,987)
Infrastructure	(6,526,641)	(458,916)	-	(6,985,557)
Vehicles	(2,285,976)	(205,885)	255,250	(2,236,611)
Equipment and furniture	(1,287,817)	(306,329)	38,682	(1,555,464)
TOTAL ACCUMULATED DEPRECIATION	(12,989,992)	(1,561,559)	293,932	(14,257,619)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	36,559,316	(286,341)	(21,887)	36,251,088
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	\$ 43,122,591	\$ 1,638,096	\$ (21,887)	\$ 44,738,800
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 346,855	\$ -	\$ -	\$ 346,855
Construction in progress	8,390,254	471,833	(1,519,923)	7,342,164
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	8,737,109	471,833	(1,519,923)	7,689,019
Capital assets being depreciated				
Sewer collection system infrastructure	20,719,563	31,064	-	20,750,627
Water treatment plant infrastructure	26,118,942	1,939,760	(9,680)	28,049,022
Parking infrastructure	668,914	92,899	-	761,813
Vehicles	2,238,260	409,168	(135,511)	2,511,917
Buildings	58,618	-	-	58,618
Equipment and furniture	7,028,941	348,530	(13,941)	7,363,530
TOTAL CAPITAL ASSETS BEING DEPRECIATED	56,833,238	2,821,421	(159,132)	59,495,527
Accumulated depreciation				
Sewer collection system infrastructure	(8,666,771)	(309,851)	-	(8,976,622)
Water treatment plant infrastructure	(13,566,932)	(716,658)	8,229	(14,275,361)
Parking infrastructure	(178,645)	(23,820)	-	(202,465)
Vehicles	(1,125,168)	(128,065)	135,511	(1,117,722)
Buildings	(3,610)	(1,172)	-	(4,782)
Equipment and furniture	(3,537,505)	(351,610)	13,941	(3,875,174)
TOTAL ACCUMULATED DEPRECIATION	(27,078,631)	(1,531,176)	157,681	(28,452,126)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	29,754,607	1,290,245	(1,451)	31,043,401
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	\$ 38,491,716	\$ 1,762,078	\$ (1,521,374)	\$ 38,732,420

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

NOTE E - CAPITAL ASSETS (Continued)

Depreciation expense was charged to the following functions:

GOVERNMENTAL ACTIVITIES	
General government	\$ 101,086
Public safety	917,857
Public works - highways and streets	495,340
Culture and recreation	<u>47,276</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 1,561,559</u>
BUSINESS-TYPE ACTIVITIES	
Water	\$ 938,903
Sewer	354,999
Parking	74,411
Sanitation	<u>162,863</u>
TOTAL BUSINESS-TYPE ACTIVITIES	<u>\$ 1,531,176</u>

NOTE F - LONG-TERM DEBT

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
General Obligation Bonds, Series of 2020, issued at \$14,305,000 in December 2020, interest rates ranging from 2.00% to 5.00%, interest and principal payable semiannually from May 2021 through November 2050.	\$ 13,175,000	\$ -
General Obligation Bonds, Series of 2022, issued at \$10,450,000 in March 2022, interest rates ranging from 3.00% to 5.00%, interest and principal payable semiannually from May 2022 through November 2037.	<u>5,796,700</u>	<u>1,828,300</u>
	<u>\$ 18,971,700</u>	<u>\$ 1,828,300</u>

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

NOTE F - LONG-TERM DEBT (Continued)

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

Year Ending December 31,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2025	\$ 725,008	\$ 505,020	\$ 579,992	\$ 185,214
2026	765,566	468,770	609,433	156,215
2027	806,126	430,492	638,875	125,743
2028	755,000	483,985	-	-
2029	785,000	446,235	-	-
2030-2034	4,460,000	1,714,625	-	-
2035-2039	4,015,000	1,090,863	-	-
2040-2044	2,805,000	695,213	-	-
2045-2049	3,175,000	327,375	-	-
2050	680,000	17,000	-	-
	<u>\$ 18,971,700</u>	<u>\$ 6,179,577</u>	<u>\$ 1,828,300</u>	<u>\$ 467,172</u>

Long-term liability activity for the year ended December 31, 2024, is as follows:

	Balance January 1, 2024	Additions	Retirements	Balance December 31, 2024	Due Within One Year
GOVERNMENTAL ACTIVITIES					
General Obligation Bonds, Series of 2020	\$ 13,485,000	\$ -	\$ (310,000)	\$ 13,175,000	\$ 320,000
General Obligation Bonds, Series of 2022	6,183,206	-	(386,506)	5,796,700	405,008
Bond premiums	1,513,175	-	(77,639)	1,435,536	77,639
Compensated absences	752,533	81,457	-	833,990	377,608
Net pension liability	1,022,039	-	(801,769)	220,270	-
Total Other postemployment benefits liability	1,804,417	-	(231,609)	1,572,808	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 24,760,370</u>	<u>\$ 81,457</u>	<u>\$ (1,807,523)</u>	<u>\$ 23,034,304</u>	<u>\$ 1,180,255</u>
BUSINESS-TYPE ACTIVITIES					
General Obligation Bonds, Series of 2022	\$ 2,381,794	\$ -	\$ (553,494)	\$ 1,828,300	\$ 579,992
Bond premiums	321,573	-	(58,468)	263,105	58,468
Compensated absences	197,365	-	(22,430)	174,935	89,624
Net pension liability	268,432	-	(190,274)	78,158	-
Total Other postemployment benefits liability	323,972	-	(37,926)	286,046	-
TOTAL BUSINESS-TYPE ACTIVITIES	<u>\$ 3,493,136</u>	<u>\$ -</u>	<u>\$ (862,592)</u>	<u>\$ 2,630,544</u>	<u>\$ 728,084</u>

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

NOTE F - LONG-TERM DEBT (Continued)

For the year ended December 31, 2024, interest expense on long-term debt was \$755,266. Of this total, \$58,468 was charged to the following functions as direct expenses on the statement of activities:

<u>Function</u>	<u>Interest</u>
Water	\$ 11,603
Sewer	<u>46,865</u>
	<u>\$ 58,468</u>

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

Summary of Significant Accounting Policies

Police Pension Plan investments are carried at fair value as reported by the investment managers. Short-term investments are reported at cost, which approximates fair value. The plan's unallocated insurance contracts are valued at contract value. Contract value represents contributions made under the contract, plus interest at the contract rate, less funds used to purchase annuities and pay administrative expenses charged by the insurance company. Funds under the contract that have been allocated and applied to purchase annuities are excluded from the plan's assets.

Financial information of the Borough's Police Pension Plan is presented on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due as required by the Act. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Plan Description

Plan Administration - The Borough administers the Police Pension Plan--a single-employer defined benefit pension plan, controlled by the provisions of Pennsylvania Act 600 that provides pensions for all regular, full-time sworn police officers.

Management of the plan is vested in the Phoenixville Borough Council. The Borough Council has delegated the responsibility for managing, investing and monitoring the Borough's Police Pension Fund assets to Principal Financial Group and SEI Private Trust Company.

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

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

Plan Membership - At December 31, 2024, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	25*
Inactive plan members entitled to but not yet receiving benefits	2
Active plan members	<u>28</u>
	<u><u>55</u></u>

*includes two members in the DROP

Benefits Provided - The plan provides retirement, disability and death benefits in accordance with Pennsylvania Act 600 as noted below:

- A member is eligible for normal retirement at age 50 with 25 years of continuous service. Participants are entitled to monthly pension payments equal to 50% of average monthly pay plus \$100 for service in excess of 25 years during their lifetime, with payments continuing after the member's death to the surviving spouse, or eligible child, equal to 50% of the initial amount payable to the member. A member becomes 100% vested in the benefit accrued after 12 or more years of continued service.
- Average monthly pay is based upon the last 36 months of employment. For participants hired on or before August 30, 1983, pay is defined as total W-2 compensation, excluding any lump sum payment for unused sick or vacation time. For participants hired after August 30, 1983, pay is defined as the salary rate.
- If a member continues working after normal retirement date, the pension does not start until the member actually retires. The late retirement benefit is the benefit accrued to the late retirement date.
- A participant is eligible for early retirement after completion of 20 years of service. The early retirement benefit is equal to the actuarial equivalent of the benefit accrued at the early retirement date.
- An annual cost-of-living adjustment is made to retirees with a maximum total cost-of-living increase of 30% if employment terminates after January 1, 2002. Employees who retired prior to January 1, 2002, receive a maximum total cost-of-living increase of 15%.
- An active member is eligible for a disability benefit if the member is disabled in the line of duty. The disability pension is equal to 50% of the member's salary at the time disability occurs.
- If an active member is killed in the line of duty, a monthly death benefit is payable to the surviving spouse, or eligible child, equal to 100% of the member's monthly salary at the time of death.

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

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

- If a member is eligible for retirement at the time of death, a monthly death benefit is payable to the surviving spouse, or eligible child, equal to 50% of the monthly benefit the member would have been receiving had that member been retired at the time of death.
- If an actuarial study shows the plan to have sufficient assets to fund plan benefits, member contributions may be suspended. Contributions are currently suspended.

Benefit and contribution provisions are established by Pennsylvania law and may be amended only as allowed by Pennsylvania law.

The benefit provisions of the Borough's Police Pension Plan are established by Borough ordinances.

Contributions - Pennsylvania Act 205 of 1984 (as amended) requires that annual contributions be based upon the minimum municipal obligation (MMO), which is based on the plan's actuarial valuation. The MMO includes the normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds, which must be used for pension funding. A financial requirement established by the MMO, which exceeds state and member contributions, must be funded by the employer.

In 2024, the MMO obligation for the plan was \$767,694. Contributions in the amount of \$402,784 and \$364,910 were made by the Borough and the Commonwealth of Pennsylvania, respectively.

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

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

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

Investments

Investment Policy - The plan's policy in regard to the allocation of invested assets is established and may be amended by the Borough Council through adoption of an ordinance. It is the policy of the Borough Council to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a broad selection of distinct asset classes. The plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the plan's adopted asset allocation policy as of December 31, 2024:

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

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

Rate of Return - For the year ended December 31, 2024, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 8.61%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the Borough

The components of the net pension (asset) liability of the Borough at December 31, 2024, were as follows:

Total pension liability	\$ 21,198,121
Plan fiduciary net position	<u>(21,633,971)</u>
NET PENSION (ASSET) LIABILITY	\$ <u>(435,850)</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>102.06%</u>

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

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

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of January 1, 2023, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary increases	5% annual increase
Investment rate of return	7.25%
Postretirement cost of living increase	2.5%

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

Due to the size of the plan, there have been no experience studies used to determine plan assumptions.

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of December 31, 2024 (see the plan's investment policy), are summarized in the following table:

<u>Asset Class</u>	<u>Expected Real Rate of Return</u>
Domestic equity	5.50%-7.50%
International equity	4.50%-6.50%
Fixed income	1.00%-3.00%
Cash	0.00%-1.00%

Discount Rate - The discount rate is based on the long-term expected rate of return on plan investments that are expected to be used to finance the payments of benefits. The plan's fiduciary net position is projected to be sufficient to make projected benefit payments and the plan assets are expected to be invested using a strategy to achieve that return. The employer has always met the funding requirements of Pennsylvania Law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability to ultimately achieve a 100% funded status.

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

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

Changes in the Net Pension Liability (Asset)

	Total Pension Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net Pension (Asset) Liability <u>(a)-(b)</u>
BALANCES AT DECEMBER 31, 2023	\$ 19,719,193	\$ 19,453,664	\$ 265,529
Changes for the year			
Service cost	594,579	-	594,579
Interest	1,576,455	-	1,576,455
Contributions			
Employer	-	767,694	(767,694)
Net investment income	-	2,115,019	(2,115,019)
Benefit payments	(692,106)	(692,106)	-
Administrative expense	-	(10,300)	10,300
NET CHANGES	<u>1,478,928</u>	<u>2,180,307</u>	<u>(701,379)</u>
BALANCES AT DECEMBER 31, 2024	\$ <u>21,198,121</u>	\$ <u>21,633,971</u>	\$ <u>(435,850)</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the Borough, calculated using the discount rate of 7.25%, as well as what the Borough's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease <u>(6.25%)</u>	Current Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
Net pension (asset) liability	\$ <u>2,412,483</u>	\$ <u>(435,850)</u>	\$ <u>(2,783,993)</u>

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

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

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended December 31, 2024, the Borough recognized pension expense of \$877,927 for the Police Pension Plan. At December 31, 2024, the Borough reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 87,636
Change of assumptions	133,965	-
Net difference between projected and actual earnings on pension plan investments	<u>486,989</u>	<u>-</u>
	<u>\$ 620,954</u>	<u>\$ 87,636</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	
2025	\$ 390,054
2026	618,715
2027	(402,985)
2028	(106,457)
2029	33,991
Thereafter	<u>-</u>
Total	<u>\$ 533,318</u>

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

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

Summary of Significant Accounting Policies

Municipal Employees' Pension Plan investments are carried at fair value as reported by the investment managers. Short-term investments are reported at cost, which approximates fair value. The plan's unallocated insurance contracts are valued at contract value. Contract value represents contributions made under the contract, plus interest at the contract rate, less funds used to purchase annuities and pay administrative expenses charged by the insurance company. Funds under the contract that have been allocated and applied to purchase annuities are excluded from the plan's assets.

Financial information of the Borough's Municipal Employees' Pension Plan is presented on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due as required by the Act. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Plan Description

Plan Administration - The Borough administers the Municipal Employees' Pension Plan--a single-employer defined benefit pension plan that provides pensions for all regular, full-time Municipal employees.

Management of the plan is vested in the Phoenixville Borough Council. The Borough Council has delegated the responsibility for managing, investing and monitoring the Borough's Municipal Employees' Pension Fund assets to Principal Financial Group and SEI Private Trust Company.

Plan Membership - At December 31, 2024, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	47
Inactive plan members entitled to but not yet receiving benefits	9
Active plan members	<u>76</u>
	<u><u>132</u></u>

Benefits Provided - The plan provides retirement, disability and death benefits. A member is eligible for normal retirement on the first day of the month coincident with or following attainment of age 65. The normal retirement pension is payable monthly during the member's lifetime, with payments ceasing upon death. The amount of monthly pension is equal to 45% of average monthly compensation, reduced by 1/20th for each year of service less than 20 years. Average compensation is based upon the last 60 months of employment. If a member continues working after his normal retirement date, his pension does not start until he actually retires. If an active member suffers a service related disability, they are eligible for disability retirement. The disability retirement is payable monthly equal to the member's accrued pension at the time of disability, without reduction. If an active member dies before beginning to receive a retirement pension benefit, a monthly death benefit is payable to his surviving spouse equal to 50% of the member's accrued pension and is payable beginning on the date on which the participant first would have been eligible for retirement.

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

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

Benefit and contribution provisions are established by Pennsylvania law and may be amended only as allowed by Pennsylvania law.

The benefit provisions of the Borough's plan are established by Borough ordinances.

Contributions - Pennsylvania Act 205 of 1984 (as amended) requires that annual contributions be based upon the minimum municipal obligation (MMO), which is based on the plan's actuarial valuation. The MMO includes the normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds, which must be used for pension funding. A financial requirement established by the MMO, which exceeds state and member contributions, must be funded by the employer.

As a condition of participation, participants are required to make contributions to the plan. The amount of the contribution is equal to 2% of the participant's pay.

In 2024, the MMO obligation for the plan was \$698,982. Contributions in the amount of \$220,824 and \$478,158 were made by the Borough and the Commonwealth of Pennsylvania, respectively.

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

Investments

Investment Policy - The plan's policy in regard to the allocation of invested assets is established and may be amended by the Borough Council through adoption of an ordinance. It is the policy of the Borough Council to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a broad selection of distinct asset classes. The plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the plan's adopted asset allocation policy as of December 31, 2024:

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

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

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

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

Rate of Return - For the year ended December 31, 2024, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 8.46%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the Borough

The components of the net pension (asset) liability of the Borough at December 31, 2024, were as follows:

Total pension liability	\$ 16,948,424
Plan fiduciary net position	<u>(16,649,996)</u>
NET PENSION (ASSET) LIABILITY	<u>\$ 298,428</u>
 Plan fiduciary net position as a percentage of the total pension liability	 <u>98.24%</u>

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of January 1, 2023, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary increases	5% annual increase
Investment rate of return	7.25%

Mortality rates were based on the PubG-2010 mortality table, include rates for disabled retirees and contingent survivors. Incorporated into the table are rates projected generationally using Scale MP-2021 to reflect mortality improvement.

Due to the size of the plan, there has been no experience studies used to determine plan assumptions.

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

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

Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of December 31, 2024 (see the plan's investment policy), are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	5.50%-7.50%
International equity	4.50%-6.50%
Fixed income	1.00%-3.00%
Cash	0.00%-1.00%

Discount Rate - The discount rate is based on the long-term expected rate of return on plan investments that are expected to be used to finance the payments of benefits. The plan's fiduciary net position is projected to be sufficient to make projected benefit payments and the plan assets are expected to be invested using a strategy to achieve that return. The employer has always met the funding requirements of Pennsylvania Law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability to ultimately achieve a 100% funded status.

Changes in the Net Pension Liability

	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension (Asset) Liability (a)-(b)</u>
BALANCES AT DECEMBER 31, 2023	\$ 16,025,882	\$ 15,000,940	\$ 1,024,942
Changes for the year			
Service cost	533,467	-	533,467
Interest	1,172,166	-	1,172,166
Contributions			
Employer	-	698,982	(698,982)
Member	-	114,661	(114,661)
Net investment income	-	1,626,049	(1,626,049)
Benefit payments	(783,091)	(783,091)	-
Administrative expense	-	(7,545)	7,545
NET CHANGES	<u>922,542</u>	<u>1,649,056</u>	<u>(726,514)</u>
BALANCES AT DECEMBER 31, 2024	<u>\$ 16,948,424</u>	<u>\$ 16,649,996</u>	<u>\$ 298,428</u>

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the Borough, calculated using the discount rate of 7.25%, as well as what the Borough's net pension would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net pension liability	\$ <u>2,180,359</u>	\$ <u>298,428</u>	\$ <u>(1,292,189)</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended December 31, 2024, the Borough recognized pension expense of \$651,456 for the Municipal Employees' Pension Plan. At December 31, 2024, the Borough reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 530,901	\$ 416,579
Change of assumptions	143,431	-
Net difference between projected and actual earnings on pension plan investments	<u>354,843</u>	<u>-</u>
	<u>\$ 1,029,175</u>	<u>\$ 416,579</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	
2025	\$ 351,667
2026	525,351
2027	(246,076)
2028	(44,734)
2029	62,794
Thereafter	<u>(36,406)</u>
Total	<u>\$ 612,596</u>

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

NOTE I - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

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

Benefits Provided

Eligibility for Benefits:

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

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

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

Medical Benefits Payable upon Retirement:

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

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

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

Life Insurance Benefits Payable upon Retirement:

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

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

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

	<u>Non-Uniform</u>	<u>Police</u>	<u>Total</u>
Inactive plan members or beneficiaries currently receiving benefits	31	13 *	43
Active plan members	<u>75</u>	<u>30</u>	<u>105</u>
	<u>106</u>	<u>43</u>	<u>148</u>

* One retiree has life insurance as a Police Officer and Non-Uniformed Employee.

Actuarial Assumptions and Methods

The following actuarial assumptions and methods and calculations were used:

Discount Rate – 4.00%, based on the S&P Municipal bond 20 Year High Grade Rate Index at January 1, 2024.

Salary - An assumption for annual salary increases is used only for spreading contributions over future pay under the entry age normal cost method. For this purpose, salary increases are assumed to be 5.00%.

Withdrawal - Rates of withdrawal at selected ages are shown below:

Police					
<u>Age</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>
20	5.5000%	35	2.5000%	50	0.0000%
25	5.0000%	40	1.0000%	55	0.0000%
30	4.0000%	45	0.5000%	60	0.0000%
Non-Uniformed Employees					
<u>Age</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>
20	7.0000%	35	4.5000%	50	1.5000%
25	5.5000%	40	4.0000%	55	0.5000%
30	5.0000%	45	3.0000%	60	0.0000%

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

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

Mortality - PubS-2010 mortality table for Police Officers, and PubG-2010 mortality table for Non-Uniformed Employees, including rates for disabled retirees and contingent survivors. Incorporated into the tables are rates projected generationally using Scale MP-2021 to reflect mortality improvement.

Disability - SOA 1987 Group LTD Table – Males, 6-month elimination. Sample rates are shown below.

<u>Age</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>
20	0.0764%	35	0.1242%	50	0.5396%
25	0.0854%	40	0.1760%	55	0.9770%
30	0.0986%	45	0.2944%	60	1.4774%

Retirement - Police: Active members are assumed to retire at age 53 and completion of 25 years of service, or age on valuation date, if greater. Vested former members are assumed to retire at age 50, or age on valuation date, if greater. Non-Uniformed Employees: The later of age 65 or age on valuation date, if greater.

Percentage of Eligible Retirees Electing Coverage in Plan - 35% of Police Officers and 100% of Non-Uniformed Employees hired before 1985 are assumed to elect coverage. 100% of Police Officers and 100% of Non-Uniformed Employees are assumed to elect life insurance.

Dependents - Only spouses are assumed to be covered.

Percentage Married at Retirement - 80% of employees are assumed to be married and have a spouse covered by the plan at retirement.

Spouse Age - Wives are assumed to be the same age as their husbands.

Per Capita Claims Cost - The per capita claims cost for medical drug is based on the expected portion of the group’s overall cost attributed to individuals in the specified age and gender brackets. The resulting costs are as follows:

Medical, Prescription Drug and Vision Combined*				
<u>Age</u>	<u>Males</u>		<u>Females</u>	
45-49	\$	12,505	\$	18,060
50-54		16,562		20,412
55-59		20,172		21,358
60-64		26,323		24,535

Those under Medicare Advantage plan are assumed to have claims equal to the premiums.

*Pre-65 claims only apply to Police retirees since Non-Uniformed Employees are not assumed to retire until age 65.

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

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

Retiree Contributions - Retiree contributions are assumed to increase at the same rate as the Health Care Cost Trend Rate.

Health Care Cost Trend Rate - 7.0% in 2024 with 0.5% decrease per year until 5.5% in 2027. Rates gradually decrease from 5.4% in 2028 to 4.0% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.

Life Insurance - It is assumed that the annual cost to provide life insurance varies by age. The assumed cost is equal to the amount of coverage times the applicable mortality factor contained in the valuation mortality table.

Actuarial Value of Assets - Equal to the Fair Value of Assets.

Actuarial Cost Method - Entry Age Normal - Under the Entry Age Normal Cost Method, the Normal Cost is the present value of benefits allocated to the year following the valuation date. Benefits are allocated on a level basis over the earnings of an individual between the date of hire and the assumed retirement age. The Accrued Liability as of the valuation date is the excess of the present value of future benefits over the present value of future Normal Cost. The Unfunded Accrued Liability is the excess of the Accrued Liability over the Actuarial Value of Assets. Actuarial gains and losses serve to reduce or increase the Unfunded Accrued Liability.

Participant Data - Based on the census information as of January 1, 2024.

Total OPEB Liability

The Borough's total OPEB liability of \$1,858,854 was measured as of December 31, 2024, and was determined by an actuarial valuation as of January 1, 2024.

Changes in the Total OPEB Liability of the Borough

	Non-Uniform OPEB Liability (a)	Police OPEB Liability (a)	Total OPEB Liability (a)
	<u> </u>	<u> </u>	<u> </u>
BALANCES AT DECEMBER 31, 2023	\$ 1,055,938	\$ 1,072,451	\$ 2,128,389
Changes for the year			
Service cost	9,869	41,621	51,490
Interest	44,501	47,517	92,018
Differences between expected and actual experience	(158,657)	(228,880)	(387,537)
Changes of assumptions	20,933	36,398	57,331
Benefit payments	(61,456)	(21,381)	(82,837)
NET CHANGES	<u>(144,810)</u>	<u>(124,725)</u>	<u>(269,535)</u>
BALANCES AT DECEMBER 31, 2024	<u>\$ 911,128</u>	<u>\$ 947,726</u>	<u>\$ 1,858,854</u>

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BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

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

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate - The following represents the total OPEB liability of the Borough, as well as what the Borough's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.00%) or 1-percentage point higher (5.00%) than the current discount rate:

	<u>1% Decrease (3.00%)</u>		<u>Current Discount Rate (4.00%)</u>	
	<u>Non-Uniform</u>	<u>Police</u>	<u>Non-Uniform</u>	<u>Police</u>
Total OPEB liability	\$ <u>1,021,040</u>	\$ <u>1,047,928</u>	\$ <u>911,128</u>	\$ <u>947,726</u>

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

	<u>1% Decrease</u>		<u>Current Discount Rate</u>	
	<u>Non-Uniform</u>	<u>Police</u>	<u>Non-Uniform</u>	<u>Police</u>
Total OPEB liability	\$ <u>856,888</u>	\$ <u>861,429</u>	\$ <u>911,128</u>	\$ <u>947,726</u>

1% Increase (5.00%)	
<u>Non-Uniform</u>	<u>Police</u>
\$ <u>819,095</u>	\$ <u>860,578</u>

1% Increase	
<u>Non-Uniform</u>	<u>Police</u>
\$ <u>973,312</u>	\$ <u>1,047,696</u>

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

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

OPEB Expense and Deferred Outflows of Resource and Deferred Inflows of Resources Related to OPEB - For the year ended December 31, 2024, the Borough recognized OPEB expense of \$6,753. At December 31, 2024, the Borough reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Non-Uniform

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 40,712	\$ 506,291
Change of assumptions	319,436	305,757
Benefit payments subsequent to the measurement date (1/1/2024)	<u>51,518</u>	<u>-</u>
	<u>\$ 411,666</u>	<u>\$ 812,048</u>

Police

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 13,381	\$ 317,670
Change of assumptions	175,488	326,408
Benefit payments subsequent to the measurement date (1/1/2024)	<u>23,201</u>	<u>-</u>
	<u>\$ 212,070</u>	<u>\$ 644,078</u>
TOTAL	<u>\$ 623,736</u>	<u>\$ 1,456,126</u>

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

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

\$74,719 was reported as deferred outflows of resources related to OPEB resulting from Plan benefit payments subsequent to the measurement date and will be recognized as a reduction of the OPEB liability in the year ended December 31, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending December 31,</u>	<u>Non-Uniform</u>	<u>Police</u>	<u>Total</u>
2025	\$ (67,362)	\$ (69,393)	\$ (136,755)
2026	(67,361)	(69,392)	(136,753)
2027	(76,683)	(75,151)	(151,834)
2028	(67,790)	(68,925)	(136,715)
2029	(85,826)	(78,586)	(164,412)
Thereafter	<u>(86,878)</u>	<u>(93,762)</u>	<u>(180,640)</u>
	<u>\$ (451,900)</u>	<u>\$ (455,209)</u>	<u>\$ (907,109)</u>

NOTE J - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The General Fund incurred expenditures in excess of appropriations in the following amounts for the year ended December 31, 2024:

GENERAL FUND	
Public works	\$ <u>2,160,299</u>

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

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

NOTE K - FUND BALANCE DESIGNATIONS

Designations of fund balance are as follows for the year ending December 31, 2024:

	General Fund	Fire Fund	Other Governmental Funds	Total Governmental Funds
RESTRICTED FOR				
ARPA	\$ 813,114	\$ -	\$ -	\$ 813,114
Third & Gay Flood Mitigation	105,000	-	-	105,000
Ashburn Street Extension	37,000	-	-	37,000
Bridge & Starr Intersection	1,089,778	-	-	1,089,778
CFA MTF Mowere Road	915,000	-	-	915,000
Bridge & Main Lot Revision	250,000	-	-	250,000
Traffic Improvements - Evans & Nutt Road Study	806,481	-	-	806,481
Fire - FEMA Grant PPE	18,900	-	-	18,900
Fire Sale of Engine	285,000	-	-	285,000
GTRP Pedestrian Bridge	71,118	-	-	71,118
MUNICIPAL - Annual Restricted	1,000	-	-	1,000
Traffic Improvements - N. Main St. Signalization	143,750	-	-	143,750
Traffic Signal Paradise & Nutt	239,060	-	-	239,060
Phoenixville Downtown Projects	12,683	-	-	12,683
Phoenix First	49,029	-	-	49,029
Phoenixville Tax Restriction - Hospital	333,847	-	-	333,847
Phoenix Wheel	330,475	-	-	330,475
Fisher Manavon Park Project	51,938	-	-	51,938
Square Main & Bridge	546	-	-	546
Tree Replacement - Shade Tree	10,770	-	-	10,770
Tree Removal Contract	1,832	-	-	1,832
Tree Removal - Shade Tree	26,881	-	-	26,881
Stage User Fees	5,288	-	-	5,288
Tax Liability Bond Debt Service Payment	52,746	-	-	52,746
Trustee Sidewalk & Trail	176,000	-	-	176,000
Downtown 175th Project	7,855	-	-	7,855
Rec Center Fee	22,843	-	-	22,843
Manavon St Park	51,398	-	-	51,398
French Creek Trail	256,554	-	-	256,554
Reves Park Cameras	15,000	-	-	15,000
Interior Paint 1st Floor	2,622	-	-	2,622
Gay & Washington Engineering	1,372	-	-	1,372
Road and street improvements	-	-	1,242,313	1,242,313
Borough Hall Solar Panel	88,549	-	-	88,549
	<u>\$ 6,273,429</u>	<u>\$ -</u>	<u>\$ 1,242,313</u>	<u>\$ 7,515,742</u>
TOTAL RESTRICTED				
COMMITTED TO				
Vehicle replacement	\$ 267,500	\$ -	\$ -	\$ 267,500
OPEB	1,000,000	-	-	1,000,000
Recreation fund (PHUN)	139,000	-	-	139,000
Fire protection	-	1,345,455	-	1,345,455
Recreation activities	-	-	2,321,375	2,321,375
	<u>\$ 1,406,500</u>	<u>\$ 1,345,455</u>	<u>\$ 2,321,375</u>	<u>\$ 5,073,330</u>
TOTAL COMMITTED				
ASSIGNED TO				
Debt service	\$ -	\$ -	\$ 107,935	\$ 107,935
Pension	-	-	164,485	164,485
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 272,420</u>	<u>\$ 272,420</u>
TOTAL ASSIGNED				

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

NOTE L - CONTINGENT LIABILITIES

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

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

NOTE M - CORRECTION OF AN ERROR

During the year, the Borough became aware of an adjustment needed to recognize revenue in the general fund that related to 2023. As a result of the adjustment, the beginning fund balance fund balance increased from \$12,552,335 to \$13,520,864 and the unearned revenues balance decreased \$968,529. On the government wide financial statement, the beginning net position increased from \$89,320,206 to \$90,288,735 and the unearned revenues balance decreased \$968,529.

REQUIRED SUPPLEMENTARY INFORMATION

BOROUGH OF PHOENIXVILLE
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2024

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
REVENUES				
Taxes	\$ 9,280,342	\$ 9,857,981	\$ 11,329,622	\$ 1,471,641
Fees and fines	142,600	142,600	184,554	41,954
Licenses and permits	289,500	289,500	253,472	(36,028)
Intergovernmental	36,268	36,268	1,583,623	1,547,355
Charges for services	1,495,642	1,495,642	1,205,451	(290,191)
Investment earnings	13,000	13,000	95,340	82,340
Miscellaneous	45,000	45,000	199,061	154,061
TOTAL REVENUES	<u>11,302,352</u>	<u>11,879,991</u>	<u>14,851,123</u>	<u>2,971,132</u>
EXPENDITURES				
General government	966,971	1,197,122	832,552	364,570
Public safety	8,071,079	8,080,381	7,559,508	520,873
Public works	1,505,532	1,919,337	4,079,636	(2,160,299)
Culture and recreation	302,000	775,305	389,362	385,943
TOTAL EXPENDITURES	<u>10,845,582</u>	<u>11,972,145</u>	<u>12,861,058</u>	<u>(888,913)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>456,770</u>	<u>(92,154)</u>	<u>1,990,065</u>	<u>2,082,219</u>
OTHER FINANCING SOURCES (USES)				
Sale of fixed assets	-	-	42,051	(42,051)
Interfund transfers in	-	-	17,378	(17,378)
Interfund transfers out	(1,281,391)	(1,281,391)	(1,159,410)	(121,981)
Budgetary reserve	325,842	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(955,549)</u>	<u>(1,281,391)</u>	<u>(1,099,981)</u>	<u>(181,410)</u>
NET CHANGE IN FUND BALANCE				
	(498,779)	(1,373,545)	890,084	1,900,809
FUND BALANCE AT BEGINNING OF YEAR				
	<u>13,520,864</u>	<u>13,520,864</u>	<u>13,520,864</u>	<u>-</u>
FUND BALANCE AT END OF YEAR				
	<u>\$ 13,022,085</u>	<u>\$ 12,147,319</u>	<u>\$ 14,410,948</u>	<u>\$ 1,900,809</u>

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

	2024	2023	2022	2021
TOTAL PENSION LIABILITY				
Service cost	\$ 594,579	\$ 566,266	\$ 520,377	\$ 495,597
Interest	1,576,455	1,397,947	1,282,887	1,150,985
Changes for experience	-	237,954	-	(589,359)
Differences between expected and actual experience	-	-	-	-
Changes of assumptions	-	-	-	312,585
Benefit payments	(692,106)	(567,838)	(545,573)	(398,935)
NET CHANGE IN TOTAL PENSION LIABILITY	1,478,928	1,634,329	1,257,691	970,873
Total pension liability, beginning	<u>19,719,193</u>	<u>18,084,864</u>	<u>16,827,173</u>	<u>15,856,300</u>
TOTAL PENSION LIABILITY, ENDING (a)	\$ <u>21,198,121</u>	\$ <u>19,719,193</u>	\$ <u>18,084,864</u>	\$ <u>16,827,173</u>
PLAN FIDUCIARY NET POSITION				
Contributions				
Employer	\$ 767,694	\$ 348,826	\$ 339,354	\$ 598,587
Net investment income (loss)	2,115,019	2,520,959	(3,595,667)	2,454,296
Benefit payments, including refunds of member contributions	(692,106)	(567,838)	(545,573)	(398,935)
Administrative expense	(10,300)	(12,950)	(6,225)	(20,515)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	2,180,307	2,288,997	(3,808,111)	2,633,433
Plan fiduciary net position, beginning	<u>19,453,664</u>	<u>17,164,667</u>	<u>20,972,778</u>	<u>18,339,345</u>
PLAN FIDUCIARY NET POSITION, ENDING (b)	\$ <u>21,633,971</u>	\$ <u>19,453,664</u>	\$ <u>17,164,667</u>	\$ <u>20,972,778</u>
NET PENSION (ASSET) LIABILITY, ENDING (a)-(b)	\$ <u>(435,850)</u>	\$ <u>265,529</u>	\$ <u>920,197</u>	\$ <u>(4,145,605)</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>102.06%</u>	<u>98.65%</u>	<u>94.91%</u>	<u>124.64%</u>
COVERED PAYROLL	\$ <u>3,279,825</u>	\$ <u>2,954,820</u>	\$ <u>3,073,797</u>	\$ <u>2,930,675</u>
NET PENSION (ASSET) LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	<u>-13.29%</u>	<u>8.99%</u>	<u>29.94%</u>	<u>-141.46%</u>

In 2023, mortality rates were based on the PubG-2010 table, including rates for disabled retirees and contingent survivors. Incorporated into the table are rates projected generationally using Scale MP-2021 to reflect mortality improvement. In 2021, mortality rates were based on the PubG-2010 table, including rates for disabled retirees and contingent survivors. Incorporated into the table are rates projected generationally using Scale MP-2020 to reflect mortality improvement. In 2017, assumptions were based on IRS 2017 Static Combined Table for Small Plan. Incorporated into the table are rates for annuitants projected 7 years and rates for non annuitants projected 15 years using Scale AA to reflect mortality improvement. In 2015, mortality rates were based on the RP 2000 table for males and females. The table does not include projected mortality improvements.

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$	463,348	\$ 441,284	\$ 424,276	\$ 404,072	\$ 399,309	\$ 380,294
	1,084,311	1,003,948	933,058	866,484	810,556	751,072
	-	-	-	-	-	-
	-	(35,121)	-	(244,904)	-	(385,864)
	-	-	-	153,554	-	322,782
	<u>(368,039)</u>	<u>(349,661)</u>	<u>(373,199)</u>	<u>(371,783)</u>	<u>(331,934)</u>	<u>(327,900)</u>
	1,179,620	1,060,450	984,135	807,423	877,931	740,384
	<u>14,676,680</u>	<u>13,616,230</u>	<u>12,632,095</u>	<u>11,824,672</u>	<u>10,946,741</u>	<u>10,206,357</u>
\$	<u>15,856,300</u>	<u>14,676,680</u>	<u>13,616,230</u>	<u>12,632,095</u>	<u>11,824,672</u>	<u>10,946,741</u>
\$	521,942	\$ 518,140	\$ 401,509	\$ 318,252	\$ 316,607	\$ 393,533
	2,543,190	2,613,039	(957,617)	1,826,268	660,325	11,750
	(368,039)	(349,661)	(373,199)	(371,783)	(331,934)	(327,900)
	-	(11,925)	(3,900)	(7,950)	(7,650)	(9,135)
	<u>2,697,093</u>	<u>2,769,593</u>	<u>(933,207)</u>	<u>1,764,787</u>	<u>637,348</u>	<u>68,248</u>
	<u>15,642,252</u>	<u>12,872,659</u>	<u>13,805,866</u>	<u>12,041,079</u>	<u>11,403,731</u>	<u>11,335,483</u>
\$	<u>18,339,345</u>	<u>15,642,252</u>	<u>12,872,659</u>	<u>13,805,866</u>	<u>12,041,079</u>	<u>11,403,731</u>
\$	<u>(2,483,045)</u>	<u>(965,572)</u>	<u>743,571</u>	<u>(1,173,771)</u>	<u>(216,407)</u>	<u>(456,990)</u>
	<u>115.66%</u>	<u>106.58%</u>	<u>94.54%</u>	<u>109.29%</u>	<u>101.83%</u>	<u>104.17%</u>
\$	<u>2,921,191</u>	<u>2,915,811</u>	<u>2,698,871</u>	<u>2,561,462</u>	<u>2,296,154</u>	<u>2,296,154</u>
	<u>-85.00%</u>	<u>-33.12%</u>	<u>27.55%</u>	<u>-45.82%</u>	<u>-9.42%</u>	<u>-19.90%</u>

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 767,694	\$ 348,826	\$ 303,261	\$ 598,587
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>767,694</u>	<u>348,826</u>	<u>339,354</u>	<u>598,587</u>
CONTRIBUTION EXCESS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (36,093)</u>	<u>\$ -</u>
COVERED PAYROLL	<u>\$ 3,279,825</u>	<u>\$ 2,954,920</u>	<u>\$ 3,073,797</u>	<u>\$ 2,930,675</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED PAYROLL	<u>23.41%</u>	<u>11.80%</u>	<u>11.04%</u>	<u>20.42%</u>

NOTES TO SCHEDULE

Valuation date: January 1, 2023

Actuarially determined contribution rates are calculated as of January 1, two to four years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	12 years
Asset valuation method	Market value of assets as determined by Trustee
Inflation	3%
Salary increases	5% annual increase
Investment rate of return	7.25%
Retirement age	Latest of age 53, age at the completion of 25 years of service
Post-retirement cost of living increase	2.50%
Mortality	PubG-2010 Table

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 521,942	\$ 518,260	\$ 401,509	\$ 314,652	\$ 316,607	\$ 344,034
<u>521,942</u>	<u>518,140</u>	<u>401,509</u>	<u>318,252</u>	<u>316,607</u>	<u>393,533</u>
\$ <u>-</u>	\$ <u>120</u>	\$ <u>-</u>	\$ <u>(3,600)</u>	\$ <u>-</u>	\$ <u>(49,499)</u>
\$ <u>2,921,191</u>	\$ <u>2,915,811</u>	\$ <u>2,698,871</u>	\$ <u>2,561,462</u>	\$ <u>2,296,154</u>	\$ <u>2,296,154</u>
<u>17.87%</u>	<u>17.77%</u>	<u>14.88%</u>	<u>12.42%</u>	<u>13.79%</u>	<u>17.14%</u>

BOROUGH OF PHOENIXVILLE

SCHEDULE OF POLICE PENSION PLAN INVESTMENT RETURNS

LAST TEN FISCAL YEARS

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>8.61%</u>	<u>15.24%</u>	<u>-17.20%</u>	<u>13.71%</u>

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>16.17%</u>	<u>20.69%</u>	<u>-7.72%</u>	<u>15.31%</u>	<u>5.70%</u>	<u>0.08%</u>

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

	2024	2023	2022	2021
TOTAL PENSION LIABILITY				
Service cost	\$ 533,467	\$ 508,064	\$ 479,684	\$ 456,842
Interest	1,172,166	1,107,156	1,077,630	1,015,369
Changes for experience	-	(495,958)	-	884,837
Differences between expected and actual experience	-	-	-	-
Changes of assumptions	-	-	-	239,055
Benefit payments	(783,091)	(704,786)	(660,166)	(612,406)
NET CHANGE IN TOTAL PENSION LIABILITY	922,542	414,476	897,148	1,983,697
Total pension liability, beginning	<u>16,025,882</u>	<u>15,611,406</u>	<u>14,714,258</u>	<u>12,730,561</u>
TOTAL PENSION LIABILITY, ENDING (a)	\$ <u>16,948,424</u>	\$ <u>16,025,882</u>	\$ <u>15,611,406</u>	\$ <u>14,714,258</u>
PLAN FIDUCIARY NET POSITION				
Contributions				
Employer	\$ 698,982	\$ 434,751	\$ 403,968	\$ 508,518
Member	114,661	107,175	95,482	87,237
Net investment income (loss)	1,626,049	1,958,758	(2,743,015)	1,901,931
Benefit payments, including refunds of member contributions	(783,091)	(704,786)	(660,166)	(612,406)
Administrative expense	(7,545)	(16,200)	(11,375)	(25,950)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	1,649,056	1,779,698	(2,915,106)	1,859,330
Plan fiduciary net position, beginning	<u>15,000,940</u>	<u>13,221,242</u>	<u>16,136,348</u>	<u>14,277,018</u>
PLAN FIDUCIARY NET POSITION, ENDING (b)	\$ <u>16,649,996</u>	\$ <u>15,000,940</u>	\$ <u>13,221,242</u>	\$ <u>16,136,348</u>
NET PENSION (ASSET) LIABILITY, ENDING (a)-(b)	\$ <u>298,428</u>	\$ <u>1,024,942</u>	\$ <u>2,390,164</u>	\$ <u>(1,422,090)</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>98.24%</u>	<u>93.60%</u>	<u>84.69%</u>	<u>109.66%</u>
COVERED PAYROLL	\$ <u>5,498,597</u>	\$ <u>5,302,221</u>	\$ <u>4,805,864</u>	\$ <u>4,328,564</u>
NET PENSION (ASSET) LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	<u>5.43%</u>	<u>19.33%</u>	<u>49.73%</u>	<u>-32.85%</u>

In 2023, mortality rates were based on the PubG-2010 table, including rates for disabled retirees and contingent survivors. Incorporated into the table are rates projected generationally using Scale MP-2021 to reflect mortality improvement. In 2021, mortality rates were based on the PubG-2010 table, including rates for disabled retirees and contingent survivors. Incorporated into the table are rates projected generationally using Scale MP-2020 to reflect mortality improvement. In 2017, assumptions were based on IRS 2017 Static Combined Table for Small Plan. Incorporated into the table are rates for annuitants projected 7 years and rates for non annuitants projected 15 years using Scale AA to reflect mortality improvement. In 2015, mortality rates were based on the RP 2000 table for males and females. The table does not include projected mortality improvements.

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$	403,073	\$ 383,879	\$ 343,955	\$ 327,576	\$ 298,325	\$ 284,119
	879,986	829,470	784,921	738,847	693,958	654,221
	-	-	-	-	-	-
	-	(79,261)	-	(525,427)	-	189,136
	-	-	-	561,384	-	229,840
	<u>(574,337)</u>	<u>(497,202)</u>	<u>(452,932)</u>	<u>(441,656)</u>	<u>(435,007)</u>	<u>(373,898)</u>
	708,722	636,886	675,944	660,724	557,276	983,418
	<u>12,021,839</u>	<u>11,384,953</u>	<u>10,709,009</u>	<u>10,048,285</u>	<u>9,491,009</u>	<u>8,507,591</u>
\$	<u>12,730,561</u>	<u>12,021,839</u>	<u>11,384,953</u>	<u>10,709,009</u>	<u>10,048,285</u>	<u>9,491,009</u>
\$	360,871	\$ 358,434	\$ 328,209	\$ 224,737	\$ 279,977	\$ 245,824
	109,472	85,793	82,315	76,280	73,338	66,482
	1,970,124	2,082,179	(773,034)	1,485,583	549,021	15,770
	(574,337)	(497,202)	(452,932)	(441,656)	(435,007)	(373,898)
	-	(15,900)	(5,800)	(11,050)	(4,400)	(12,400)
	<u>1,866,130</u>	<u>2,013,304</u>	<u>(821,242)</u>	<u>1,333,894</u>	<u>462,929</u>	<u>(58,222)</u>
	<u>12,410,888</u>	<u>10,397,584</u>	<u>11,218,826</u>	<u>9,884,932</u>	<u>9,422,003</u>	<u>9,480,225</u>
\$	<u>14,277,018</u>	<u>12,410,888</u>	<u>10,397,584</u>	<u>11,218,826</u>	<u>9,884,932</u>	<u>9,422,003</u>
\$	<u>(1,546,457)</u>	<u>(389,049)</u>	<u>987,369</u>	<u>(509,817)</u>	<u>163,353</u>	<u>69,006</u>
	<u>112.15%</u>	<u>103.24%</u>	<u>91.33%</u>	<u>104.76%</u>	<u>98.37%</u>	<u>99.27%</u>
\$	<u>4,289,089</u>	<u>4,196,669</u>	<u>4,104,270</u>	<u>3,720,157</u>	<u>3,406,762</u>	<u>3,406,762</u>
	<u>-36.06%</u>	<u>-9.27%</u>	<u>24.06%</u>	<u>-13.70%</u>	<u>4.79%</u>	<u>2.03%</u>

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 698,982	\$ 434,751	\$ 390,119	\$ 508,518
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>698,982</u>	<u>434,751</u>	<u>403,968</u>	<u>508,518</u>
CONTRIBUTION EXCESS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (13,849)</u>	<u>\$ -</u>
COVERED PAYROLL	<u>\$ 5,498,597</u>	<u>\$ 5,302,221</u>	<u>\$ 4,805,864</u>	<u>\$ 4,328,564</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED PAYROLL	<u>12.71%</u>	<u>8.20%</u>	<u>8.41%</u>	<u>11.75%</u>

NOTES TO SCHEDULE

Valuation date:

January 1, 2023

Actuarially determined contribution rates are calculated as of January 1, two to four years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Remaining amortization period	19 years
Asset valuation method	Market value of assets as determined by the Trustee
Inflation	3%
Salary increases	5% annual increase
Investment rate of return	7.25%
Retirement age	Normal retirement age
Mortality	PubG-2010 Table

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 360,871	\$ 356,389	\$ 225,321	\$ 224,737	\$ 209,911	\$ 245,824
<u>360,871</u>	<u>358,434</u>	<u>328,209</u>	<u>224,737</u>	<u>279,977</u>	<u>245,824</u>
\$ <u>-</u>	\$ <u>(2,045)</u>	\$ <u>(102,888)</u>	\$ <u>-</u>	\$ <u>(70,066)</u>	\$ <u>-</u>
\$ <u>4,289,089</u>	\$ <u>4,196,669</u>	\$ <u>4,104,270</u>	\$ <u>3,720,157</u>	\$ <u>3,406,762</u>	\$ <u>3,406,762</u>
<u>8.41%</u>	<u>8.54%</u>	<u>8.00%</u>	<u>6.04%</u>	<u>8.22%</u>	<u>7.22%</u>

BOROUGH OF PHOENIXVILLE
SCHEDULE OF MUNICIPAL EMPLOYEES'
PENSION PLAN INVESTMENTS RETURNS
LAST TEN FISCAL YEARS

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>8.46%</u>	<u>15.42%</u>	<u>-17.31%</u>	<u>13.81%</u>

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>15.95%</u>	<u>20.55%</u>	<u>-8.16%</u>	<u>15.22%</u>	<u>5.76%</u>	<u>0.12%</u>

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
TOTAL OPEB LIABILITY						
Service cost	\$ 51,490	\$ 79,513	\$ 93,949	\$ 68,521	\$ 75,015	\$ 79,599
Interest	92,018	60,035	70,172	94,691	93,826	82,818
Differences between expected and actual experience	(387,537)	-	(767,175)	-	121,708	-
Changes of assumptions	57,331	(564,571)	(261,413)	642,771	127,593	(136,062)
Benefit payments	<u>(82,837)</u>	<u>(77,026)</u>	<u>(102,523)</u>	<u>(97,483)</u>	<u>(69,448)</u>	<u>(59,665)</u>
NET CHANGE IN TOTAL OPEB LIABILITY	(269,535)	(502,049)	(966,990)	708,500	348,694	(33,310)
TOTAL OPEB LIABILITY, BEGINNING	<u>2,128,389</u>	<u>2,630,438</u>	<u>3,597,428</u>	<u>2,888,928</u>	<u>2,540,234</u>	<u>2,573,544</u>
TOTAL OPEB LIABILITY, ENDING (a)	<u>\$ 1,858,854</u>	<u>\$ 2,128,389</u>	<u>\$ 2,630,438</u>	<u>\$ 3,597,428</u>	<u>\$ 2,888,928</u>	<u>\$ 2,540,234</u>

NOTES TO SCHEDULE

Changes in assumptions: In 2024, the discount rate changed from 4.31% to 4.00%. The trend assumption was updated. The mortality tables were updated to the headcount-weighted tables. In 2023, the discount rate changed from 2.25% to 4.31%. The trend assumption was updated. In 2022, the discount rate changed from 1.93% to 2.25%. The trend assumption was updated. The mortality improvement scale was updated from MP-2020 to MP-2021. The percent of eligible police retirees assumed to elect health coverage in the plan decreased from 40% to 35%. In 2021 the discount rate was changed from 3.26% to 1.93%. In 2020 the discount rate was changed from 3.64% to 3.26%. In 2019 the discount rate was changed from 3.16% to 3.64% and the mortality tables were updated to the PubS-2010 for Police and PubG-2010 for nonuniform employees.

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

SUPPLEMENTARY INFORMATION SECTION

BOROUGH OF PHOENIXVILLE

COMBINING BALANCE SHEET

OTHER GOVERNMENTAL FUNDS

DECEMBER 31, 2024

	<u>Special Revenue</u>	
	<u>Liquid Fuels Fund</u>	<u>Debt Service Fund</u>
ASSETS		
Cash and cash equivalents	\$ 1,242,313	\$ 107,935
Other receivables	-	-
Prepaid expenses	-	-
TOTAL ASSETS	<u>\$ 1,242,313</u>	<u>\$ 107,935</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable and other current liabilities	\$ -	\$ -
FUND BALANCES		
Nonspendable, prepaid expenses	-	-
Restricted for road and street improvements	1,242,313	-
Committed to		
Recreation activities	-	-
Assigned to		
Debt service	-	107,935
Pension	-	-
TOTAL FUND BALANCES	<u>1,242,313</u>	<u>107,935</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,242,313</u>	<u>\$ 107,935</u>

<u>Funds</u>		
<u>Recreation Fund</u>	<u>Pension Fund</u>	<u>Total Other Governmental Funds</u>
\$ 2,337,283	\$ 164,485	\$ 3,852,016
11,401	-	11,401
506	-	506
<u>\$ 2,349,190</u>	<u>\$ 164,485</u>	<u>\$ 3,863,923</u>
\$ 27,309	\$ -	\$ 27,309
506	-	506
-	-	1,242,313
2,321,375	-	2,321,375
-	-	107,935
-	164,485	164,485
<u>2,321,881</u>	<u>164,485</u>	<u>3,836,614</u>
<u>\$ 2,349,190</u>	<u>\$ 164,485</u>	<u>\$ 3,863,923</u>

BOROUGH OF PHOENIXVILLE

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OTHER GOVERNMENTAL FUNDS YEAR ENDED DECEMBER 31, 2024

	Special	
	Liquid Fuels Fund	Debt Service Fund
REVENUES		
Taxes	\$ -	\$ -
Intergovernmental	483,641	-
Charges for services	-	-
Investment earnings	3,364	5,221
TOTAL REVENUES	<u>487,005</u>	<u>5,221</u>
EXPENDITURES		
Current		
General government	-	-
Public works	374,832	-
Culture and recreation	-	-
Debt service		
Principal	-	696,506
Interest and other charges	-	542,376
TOTAL EXPENDITURES	<u>374,832</u>	<u>1,238,882</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>112,173</u>	<u>(1,233,661)</u>
OTHER FINANCING SOURCES (USES)		
Interfund transfers in	-	1,238,538
Interfund transfers out	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>1,238,538</u>
NET CHANGE IN FUND BALANCES	112,173	4,877
FUND BALANCES AT BEGINNING OF YEAR	<u>1,130,140</u>	<u>103,058</u>
FUND BALANCES AT END OF YEAR	<u>\$ 1,242,313</u>	<u>\$ 107,935</u>

Revenue Funds

<u>Recreation Fund</u>	<u>Pension Fund</u>	<u>Total Other Governmental Funds</u>
\$ 1,219,659	\$ -	\$ 1,219,659
-	843,068	1,326,709
320,432	-	320,432
13,511	4,321	26,417
<u>1,553,602</u>	<u>847,389</u>	<u>2,893,217</u>
-	1,466,676	1,466,676
-	-	374,832
1,021,142	-	1,021,142
-	-	696,506
-	-	542,376
<u>1,021,142</u>	<u>1,466,676</u>	<u>4,101,532</u>
<u>532,460</u>	<u>(619,287)</u>	<u>(1,208,315)</u>
-	623,608	1,862,146
<u>(351,568)</u>	<u>-</u>	<u>(351,568)</u>
<u>(351,568)</u>	<u>623,608</u>	<u>1,510,578</u>
180,892	4,321	302,263
<u>2,140,989</u>	<u>160,164</u>	<u>3,534,351</u>
<u>\$ 2,321,881</u>	<u>\$ 164,485</u>	<u>\$ 3,836,614</u>

BOROUGH OF PHOENIXVILLE

COMBINING SCHEDULE OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

DECEMBER 31, 2024

	Pension Funds		
	Non-Uniformed Pension Fund	Police Pension Fund	Totals
ASSETS			
Cash and cash equivalents	\$ 769,774	\$ 858,279	\$ 1,628,053
Investments			
Mutual funds, at fair value	15,498,843	20,330,581	35,829,424
Unallocated insurance contract, at contract value	381,223	445,534	826,757
TOTAL INVESTMENTS	<u>15,880,066</u>	<u>20,776,115</u>	<u>36,656,181</u>
TOTAL ASSETS	<u>\$ 16,649,840</u>	<u>\$ 21,634,394</u>	<u>\$ 38,284,234</u>
NET POSITION			
Restricted for pensions	<u>\$ 16,649,840</u>	<u>\$ 21,634,394</u>	<u>\$ 38,284,234</u>

BOROUGH OF PHOENIXVILLE

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS

YEAR ENDED DECEMBER 31, 2024

	Pension Funds		
	Non-Uniformed Pension Fund	Police Pension Fund	Totals
ADDITIONS			
Contributions			
Employer	\$ 698,982	\$ 767,694	\$ 1,466,676
Employee	114,506	-	114,506
Total Contributions	<u>813,488</u>	<u>767,694</u>	<u>1,581,182</u>
Investment income			
Net increase in fair value of investments	1,205,447	1,618,251	2,823,698
Realized gains on sale of investments	28,006	24,877	52,883
Interest	145,700	190,268	335,968
Dividends	293,453	353,125	646,578
Investment management expense	(46,414)	(69,340)	(115,754)
Net investment income	<u>1,626,192</u>	<u>2,117,181</u>	<u>3,743,373</u>
TOTAL ADDITIONS	<u>2,439,680</u>	<u>2,884,875</u>	<u>5,324,555</u>
DEDUCTIONS			
Benefits	782,787	693,845	1,476,632
Administrative	7,545	10,300	17,845
TOTAL DEDUCTIONS	<u>790,332</u>	<u>704,145</u>	<u>1,494,477</u>
CHANGE IN NET POSITION	1,649,348	2,180,730	3,830,078
NET POSITION AT BEGINNING OF YEAR	<u>15,000,492</u>	<u>19,453,664</u>	<u>34,454,156</u>
NET POSITION AT END OF YEAR	<u>\$ 16,649,840</u>	<u>\$ 21,634,394</u>	<u>\$ 38,284,234</u>