



# Phoenixville Area School District Phoenixville, Pennsylvania Chester County

Financial Statements  
Year Ended June 30, 2021



1835 Market Street, 3rd Floor  
Philadelphia, PA 19103

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# PHOENIXVILLE AREA SCHOOL DISTRICT

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# PHOENIXVILLE AREA SCHOOL DISTRICT

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## INDEPENDENT AUDITOR'S REPORT

**Board of School Directors  
Phoenixville Area School District  
Phoenixville, Pennsylvania**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Phoenixville Area School District, Phoenixville, Pennsylvania as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Phoenixville Area School District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Phoenixville Public Library (discretely presented component unit). Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Phoenixville Public Library, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Phoenixville Area School District, Phoenixville, Pennsylvania as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### **Change in Accounting Principle**

As described in Note 14 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 84, "Fiduciary Activities". Our opinions are not modified with respect to that matter.

### **Report on Summarized Comparative Information**

We have previously audited Phoenixville Area School District's 2020 financial statements, and our report dated March 1, 2021, expressed unmodified audit opinions on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule – General Fund, the schedules of the District's proportionate share of the net pension liability-PSERS and pension plan contributions - PSERS, schedule of changes in OPEB liability single-employer plan, and the schedules of the District's proportionate share of the net OPEB liability-PSERS and OPEB plan contributions – PSERS on pages 3 through 13 and 49 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Phoenixville Area School District's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and certain state grants is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2022 on our consideration of the Phoenixville Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Phoenixville Area School District's internal control over financial reporting and compliance.

**BBD, LLP**

**Philadelphia, Pennsylvania  
March 25, 2022**

# PHOENIXVILLE AREA SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

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Management's discussion and analysis ("**MD&A**") of the financial performance of the Phoenixville Area School District (the "**District**") provides an overview of the District's financial performance for fiscal year ended June 30, 2021. Readers should also review the basic financial statements and related notes to enhance their understanding of the District's financial performance.

### DISTRICT PROFILE

The District consists of an early learning center, three elementary schools, a middle school and a high school consisting of approximately 4,000 students. The District is located in northeastern Chester County and covers a 21.9 square mile area encompassing Phoenixville Borough, Schuylkill Township and East Pikeland Township. During 2020-2021, there were 553 employees in the District consisting of teachers and administrators and support personnel, including secretaries, maintenance staff and teachers aides.

The mission of the District is to prepare, inspire and graduate students to meet the challenges of the future, while we grow to become the educational hub of the community.

### FINANCIAL HIGHLIGHTS

- On a government-wide basis, including all governmental activities and the business-type activities, the liabilities and deferred inflows of resources of the District exceeded assets and deferred outflows of resources resulting in a deficit in total net position at the close of the 2020-2021 fiscal year of \$72,759,930. During the 2020-2021 fiscal year, the District had an increase in total net position of \$11,901,339. The net position of governmental activities increased by \$11,808,320 and the net position of business-type activities increased by \$93,019.
- In December 2019, an outbreak of a novel strain of coronavirus ("**COVID-19**") was identified and has since spread worldwide including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. As a result, the District experienced disruptions and operated under virtual, hybrid and in-person learning models during 2020-2021 as conditions permitted.
- The General Fund reported an increase in fund balance of \$7,938,634, bringing the cumulative balance to \$18,380,170 at the conclusion of the 2020-2021 fiscal year.
- At June 30, 2021, the General Fund fund balance includes \$29,738 nonspendable for prepaid items, \$343,000 committed to future PSERS obligations, \$4,500,000 assigned to future health claims, \$3,750,000 assigned to tax assessment appeals, \$2,500,000 assigned to capital reserve planning and unassigned amounts of \$7,257,432 or approximately 7.32% of the \$99,144,697 2021-2022 General Fund expenditure budget. Guidelines prescribed by the Pennsylvania Department of Education allow a district to maintain a maximum General Fund fund balance of 8% of the following year's expenditure budget.
- Total General Fund revenues and other financing sources were \$4,147,354 or 4.31% more than budgeted amounts and total General Fund expenditures and other financing uses were \$3,791,280 or 3.94% less than budgeted amounts resulting in a net positive variance of \$7,938,634.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The MD&A is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

### GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

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# PHOENIXVILLE AREA SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

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The *Statement of Net Position (Deficit)* presents information on all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position (deficit). Over time, increases or decreases in net position (deficit) may serve as a useful indicator of whether the financial condition of the District is improving or deteriorating. To assess the District's overall health, the reader will need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

The *Statement of Activities* presents information showing how the District's net position (deficit) changed during the most recent fiscal year. All changes in net position (deficit) are reported as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish the functions of the District that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges.

In the government-wide financial statements, the District's activities are divided into two categories:

### **Governmental Activities**

Most of the District's basic services are included here, such as regular and special education, support services, maintenance, transportation and administration.

### **Business-Type Activities**

The District charges fees to cover the costs of its food services program.

The government-wide financial statements can be found on Pages 14 and 15 of this report.

## **FUND FINANCIAL STATEMENTS**

The fund financial statements provide more detailed information about the District's funds. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the District's funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

### **Governmental Funds**

Most of the District's activities are included in the governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on short-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the governmental near-term financing decisions. Both the *Balance Sheet – Governmental Funds* and *Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds* provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

# PHOENIXVILLE AREA SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

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The District maintains three individual governmental funds. Information is presented separately in the *Balance Sheet – Governmental Funds* and *Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds* for each of the three major funds.

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with the budget.

The governmental fund financial statements can be found on Pages 16 through 19 of this report.

### **Proprietary Funds**

The District maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Food Service Fund is reported as an enterprise fund of the proprietary fund type.

The proprietary fund financial statements can be found on Pages 20 through 22 of this report.

### **Fiduciary Funds**

The District is the trustee, or fiduciary, for assets that belong to others, consisting of scholarship and student activity funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purpose and by those to whom the assets belong. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

The fiduciary fund financial statements can be found on Pages 23 and 24 of this report.

### **Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

The notes to the financial statements can be found on Pages 25 through 48 of this report.

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which consists of the budgetary comparison schedule for the general fund, schedules of the District's proportionate share of the net pension liability-PSERS and pension plan contributions-PSERS, schedule of changes in OPEB liability single-employer plan, and the schedules of the District's proportionate share of the net OPEB liability-PSERS and OPEB plan contributions-PSERS, as well as additional analysis which consists of combining and individual fund financial statements.

The required supplementary information can be found on Pages 49 through 54 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted above, net position may serve over time as a useful indicator of the District's financial condition. At the close of the 2020-2021 fiscal year the District's liabilities and deferred inflows exceeded assets and deferred outflows by \$72,759,930. The following table presents condensed information for the *Statement of Net Position (Deficit)* of the District at June 30, 2021 and 2020.



# PHOENIXVILLE AREA SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
<b>ASSETS</b>						
Current assets	\$ 39,153,412	\$ 29,903,490	\$508,968	\$ 79,695	\$ 39,662,380	\$ 29,983,185
Noncurrent assets	155,293,140	160,725,206	240,105	291,656	155,533,245	161,016,862
<b>Total assets</b>	<u>194,446,552</u>	<u>190,628,696</u>	<u>749,073</u>	<u>371,351</u>	<u>195,195,625</u>	<u>191,000,047</u>
<b>DEFERRED OUTFLOWS</b>						
Deferred charges – OPEB	1,550,209	805,182	-	-	1,550,209	805,182
Deferred charges – pensions	19,318,056	18,736,108	-	-	19,318,056	18,736,108
<b>Total deferred outflows</b>	<u>20,868,265</u>	<u>19,541,290</u>	<u>-</u>	<u>-</u>	<u>20,868,265</u>	<u>19,541,290</u>
<b>LIABILITIES</b>						
Current liabilities	13,100,130	11,818,004	418,167	133,464	13,518,297	11,951,468
Noncurrent liabilities	262,121,612	270,728,568	-	-	262,121,612	270,728,568
<b>Total liabilities</b>	<u>275,221,742</u>	<u>282,546,572</u>	<u>418,167</u>	<u>133,464</u>	<u>275,639,909</u>	<u>282,680,036</u>
<b>DEFERRED INFLOWS</b>						
Deferred credits – OPEB	1,432,772	1,395,608	-	-	1,432,772	1,395,608
Deferred credits – pensions	10,979,000	10,282,000	-	-	10,979,000	10,282,000
Deferred amounts on debt refunding	772,139	844,962	-	-	772,139	844,962
<b>Total deferred inflows</b>	<u>13,183,911</u>	<u>12,522,570</u>	<u>-</u>	<u>-</u>	<u>13,183,911</u>	<u>12,522,570</u>
<b>NET POSITION (DEFICIT)</b>						
Net investment in capital assets	22,850,994	21,416,345	240,105	291,656	23,091,099	21,708,001
Restricted	2,475,084	2,640,693	-	-	2,475,084	2,640,693
Unrestricted (deficit)	(98,416,914)	(108,956,194)	90,801	(53,769)	(98,326,113)	(109,009,963)
<b>Total net position (deficit)</b>	<u>\$ (73,090,836)</u>	<u>\$ (84,899,156)</u>	<u>\$330,906</u>	<u>\$237,887</u>	<u>\$ (72,759,930)</u>	<u>\$ (84,661,269)</u>

The District's total assets as of June 30, 2021 were \$195,195,625 of which \$29,429,352 or 15.08% consisted of cash and investments and \$155,533,245 or 79.68% consisted of the District's investment in capital assets. The District's total liabilities as of June 30, 2021 were \$275,639,909 of which \$131,670,007 or 47.77% consisted of general obligation debt used to acquire and construct capital assets, \$121,324,935 or 44.02% consisted of the actuarially determined net pension liability and \$7,328,737 or 2.66% consisted of the actuarially determined OPEB liability.

The District had a deficit in unrestricted net position of \$98,326,113 at June 30, 2021. The District's unrestricted net position increased by \$10,683,850 during 2020-2021 primarily due to the results of current year operations.

A portion of the District's net position reflects its restricted net position which totaled \$2,475,084 as of June 30, 2021. All of the District's restricted net position related to amounts restricted for capital expenditures.

Another portion of the District's net position reflects its investment in capital assets net of accumulated depreciation less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. For the year ended June 30, 2021, the District's net investment in capital assets increased by \$1,383,098 because the debt used to acquire the capital assets was being repaid faster than the capital assets were being depreciated and capital assets were acquired with funding sources other than long-term debt.

# PHOENIXVILLE AREA SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

The following table presents condensed information for the *Statement of Activities* of the District for 2021 and 2020:

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
<b>REVENUES</b>						
<b>Program revenues</b>						
Charges for services	\$ 185,016	\$ 171,816	\$ 23,576	\$ 665,735	\$ 208,592	\$ 837,551
Operating grants and contributions	15,369,691	12,014,358	1,035,013	597,683	16,404,704	12,612,041
Capital grants and Contributions	113,911	572,406	-	-	113,911	572,406
<b>General revenues</b>						
Property taxes levied for general purposes	67,196,871	64,096,232	-	-	67,196,871	64,096,232
Other taxes levied for general purposes	11,562,078	11,715,477	-	-	11,562,078	11,715,477
Grants and entitlements not restricted to specific programs	5,117,689	5,127,421	-	-	5,117,689	5,127,421
Investment earnings	99,422	587,107	122	2,303	99,544	589,410
Gain on sale of capital assets	-	332,072	-	-	-	332,072
Other revenue	1,047,839	75,259	-	-	1,047,839	75,259
<b>Total revenues</b>	<u>100,692,517</u>	<u>94,692,148</u>	<u>1,058,711</u>	<u>1,265,721</u>	<u>101,751,228</u>	<u>95,957,869</u>
<b>EXPENSES</b>						
Instruction	54,979,513	59,094,219	-	-	54,979,513	59,094,219
Instructional student support services	8,485,901	7,070,942	-	-	8,485,901	7,070,942
Administrative and financial support services	9,167,857	9,387,775	-	-	9,167,857	9,387,775
Operation and maintenance of plant services	6,283,726	6,619,704	-	-	6,283,726	6,619,704
Pupil transportation	4,749,818	4,307,991	-	-	4,749,818	4,307,991
Student activities	1,474,584	2,108,817	-	-	1,474,584	2,108,817
Community services	18,527	57,528	-	-	18,527	57,528
Interest and amortization expense related to noncurrent liabilities	3,156,966	3,623,320	-	-	3,156,966	3,623,320
Food service	-	-	965,692	1,381,706	965,692	1,381,706
<b>Total expenses</b>	<u>88,316,892</u>	<u>92,270,296</u>	<u>965,692</u>	<u>1,381,706</u>	<u>89,282,584</u>	<u>93,652,002</u>
<b>TRANSFERS IN (OUT)</b>	<u>(567,305)</u>	<u>(584,472)</u>	<u>-</u>	<u>17,167</u>	<u>(567,305)</u>	<u>(567,305)</u>
<b>CHANGE IN NET POSITION (DEFICIT)</b>	<u>\$ 11,808,320</u>	<u>\$ 1,837,380</u>	<u>\$ 93,019</u>	<u>\$ (98,818)</u>	<u>\$ 11,901,339</u>	<u>\$ 1,738,562</u>

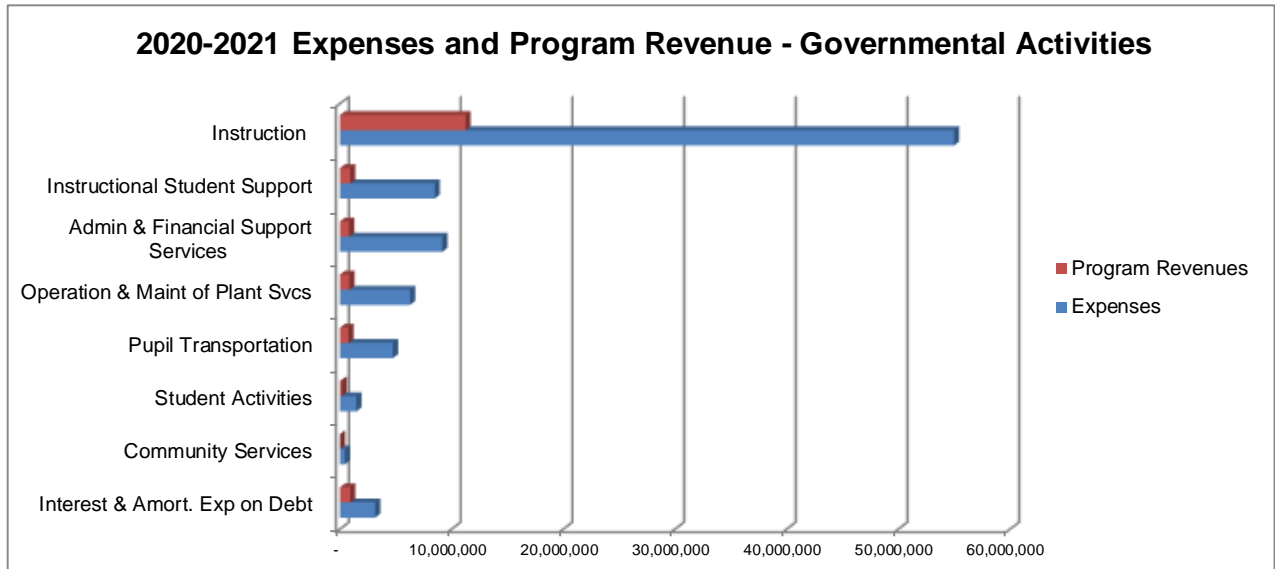
Overall, the District's financial position continues to improve but challenges such as increased medical costs, pension contributions, state-mandated programs and negotiated contracts have the potential to offset these gains in future years. Management of the District continues to aggressively implement cost efficiencies and revenue-generating strategies to combat these factors. A majority of the District's property tax base is in the form of residential housing. Although the District is primarily a residential community, the District also has a property tax base derived from commercial facilities mostly within the Borough of Phoenixville.

# PHOENIXVILLE AREA SCHOOL DISTRICT

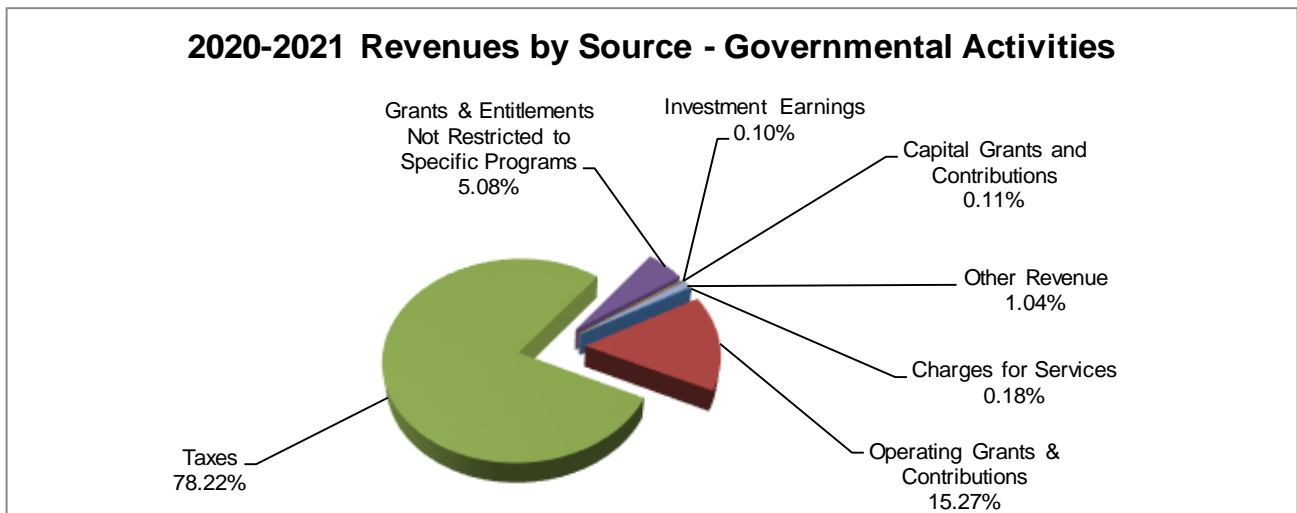
## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

The *Statement of Activities* provides detail that focuses on how the District finances its services. The *Statement of Activities* compares the costs of the District functions and programs with the resources those functions and programs generate themselves in the form of program revenues. As demonstrated by the following graph, all of the District's governmental activities are not self-supporting.



To the degree that the District's functions or programs cost more than they raise, the *Statement of Activities* shows how the District chose to finance the difference through general revenues. The following chart shows that the District relies on tax revenues to finance its governmental activities.



# PHOENIXVILLE AREA SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

### GOVERNMENTAL FUNDS

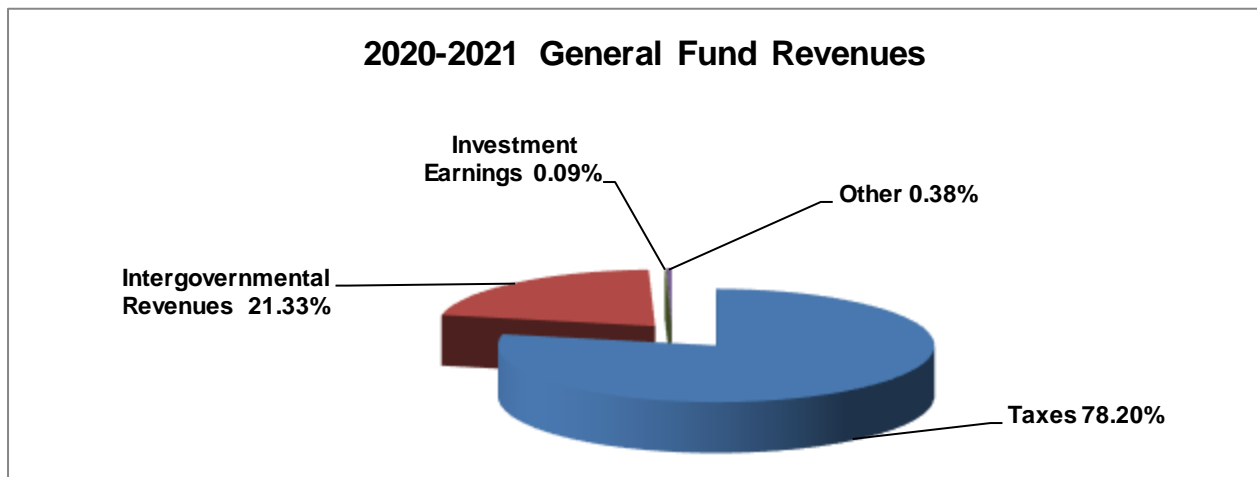
The governmental fund financial statements provide detailed information on the District's major funds. Some funds are required to be established by State statute while other funds are established by the District to manage monies restricted for a specific purpose. As of June 30, 2021, the District's governmental funds reported a combined fund balance of \$20,682,091 which is an increase of \$7,775,534 from the prior year. The following table summarizes the District's total governmental fund balances as of June 30, 2021 and 2020 and the total 2021 change in governmental fund balances.

	<u>2021</u>	<u>2020</u>	<u>Change</u>
General Fund	\$18,380,170	\$10,441,536	\$7,938,634
Capital Projects Fund	<u>2,301,921</u>	<u>2,465,021</u>	<u>(163,100)</u>
	<u>\$20,682,091</u>	<u>\$12,906,557</u>	<u>\$7,775,534</u>

### GENERAL FUND

The General Fund is the District's primary operating fund. At the conclusion of the 2020-2021 fiscal year, the General Fund fund balance was \$18,380,170 representing an increase of \$7,938,634 from the prior year. The following analysis has been provided to assist the reader in understanding the financial activities of the General Fund during the 2020-2021 fiscal year.

The District's reliance upon tax revenues is demonstrated by the graph below that indicates 78.20% of General Fund revenues are derived from local taxes.



### General Fund Revenues and Other Financing Sources

	<u>2021</u>	<u>2020</u>	<u>\$ Change</u>	<u>% Change</u>
Tax revenues	\$ 78,514,051	\$75,329,166	\$3,184,885	4.23
Intergovernmental revenues	21,412,592	17,787,746	3,624,846	20.38
Investment earnings	92,391	509,156	(416,765)	(81.85)
Other	<u>384,847</u>	<u>510,404</u>	<u>(125,557)</u>	<u>(24.60)</u>
	<u>\$100,403,881</u>	<u>\$94,136,472</u>	<u>\$6,267,409</u>	<u>6.66</u>

Net tax revenues increased by \$3,184,885 or 4.23% in 2020-2021 compared to 2019-2020 primarily due to a real estate tax millage increase of 1.99% and an increase in collections of earned income and delinquent real estate taxes.

# PHOENIXVILLE AREA SCHOOL DISTRICT

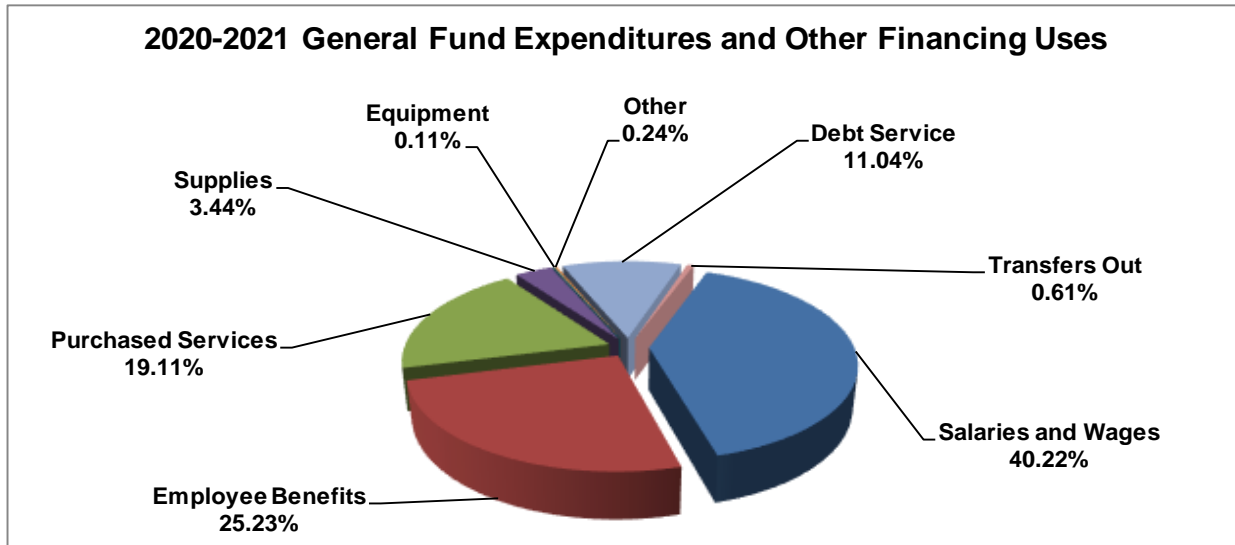
## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

Intergovernmental revenues increased by \$3,624,846 or 20.38% in 2020-2021 compared to 2019-2020 due to increases in sinking fund rentals, transportation subsidies, and COVID-19 related grants.

Investment earnings decreased compared to the prior year due to a decline in interest rates.

As the graph below illustrates, the largest portion of General Fund expenditures are for salaries and benefits. The District is an educational service entity and as such is labor intensive.



### General Fund Expenditures and Other Financing Uses

	<u>2021</u>	<u>2020</u>	<u>\$ Change</u>	<u>% Change</u>
Salaries and wages	\$37,191,195	\$37,111,741	\$ 79,454	0.21
Employee benefits	23,325,501	21,164,241	2,161,260	10.21
Purchased services	17,672,278	17,060,525	611,753	3.59
Supplies	3,175,896	2,344,787	831,109	35.44
Equipment	105,028	1,322,658	(1,217,630)	(92.06)
Other	224,528	263,274	(38,746)	(14.72)
Debt service	10,203,516	11,118,037	(914,521)	(8.23)
Transfers out	567,305	925,861	(358,556)	(38.73)
	<u>\$92,465,247</u>	<u>\$91,311,124</u>	<u>\$ 1,154,123</u>	<u>1.26</u>

Employee benefits increased by \$2,161,260 or 10.21% in 2020-2021 compared to 2019-2020 primarily due to increases in medical benefit expenditures and the scheduled increase in the PSERS retirement contribution rate. Medical benefit expenditures in 2019-2020 were lower due to a decrease in claims caused by COVID-19 shutdown.

Purchased services expenditures increased by \$611,753 or 3.59% in 2020-2021 due to COVID-19 closing all buildings in March 2020 and shifting the District to a virtual environment resulting in a reduction of purchased services for the remainder of the 2019-2020 school year.

Expenditures for supplies increased by \$831,109 or 35.44% in 2020-2021 compared to 2019-2020 due to additional purchases made in response to COVID-19, which were funded with the additional governmental funding identified above.

# PHOENIXVILLE AREA SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

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Equipment expenditures decreased by \$1,217,630 or 92.06% in 2020-2021 due to additional information technology equipment purchased in 2019-2020. COVID-19 forced the District to quickly adapt to an online platform and created a significant need for additional technology to provide the online education and for students to receive that instruction from home.

Transfers out in 2019-2020 included additional transfers to the Capital Reserve and Food Service funds.

### CAPITAL PROJECTS FUND

The Capital Projects Fund accounts for construction and renovation activity associated with the District's buildings and major equipment purchases. The Capital Projects Fund receives the majority of its revenues from the issuance of general obligation debt and transfers from the General Fund and transfers from the General Fund. During 2020-2021, the Capital Projects Fund reported a decrease in fund balance of \$163,100 due to capital purchases made in 2020-2021. The remaining fund balance of \$2,301,921 as of June 30, 2021 is restricted for future capital expenditures.

### GENERAL FUND BUDGET INFORMATION

The District maintains its financial records and prepares its financial reports on the modified accrual basis of accounting. The District budgets and expends funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by management and submitted to the School Board for approval prior to the beginning of the fiscal year on July 1 each year. The most significant budgeted fund is the General Fund.

Actual revenues and other financing sources were \$4,147,354 more than budgeted amounts and actual expenditures and other financing uses were \$3,791,280 less than budgeted amounts resulting in a net overall positive variance of \$7,938,634. Major budgetary highlights for 2020-2021 were as follows:

- Local sources were \$2,209,812 more than budget due to better than expected collections in real estate taxes earned income taxes and realty transfer taxes, which were conservatively budgeted due to the uncertainty surrounding the impact of COVID-19.
- Federal sources were more than budgeted amounts by \$1,555,401 which directly correlates with the additional pass-through funding received to respond to COVID-19.
- Actual special program expenditures were \$2,241,085 less than budget, actual student transportation services expenditures were \$399,735 less than budget and actual expenditures for student activities were \$848,905 less than budget due to savings related to operating in a virtual and hybrid learning model for parts of the year.

### BUSINESS-TYPE ACTIVITIES AND FOOD SERVICE FUND

During 2020-2021, the net position of the business-type activities and Food Service Fund increased by \$93,019. As of June 30, 2021, the business-type activities and Food Service Fund had an ending net position of \$330,906.

### CAPITAL ASSETS

The District's investment in capital assets for its governmental and business-type activities as of June 30, 2021 amounted to \$155,533,245 net of accumulated depreciation. This investment in capital assets includes land, land improvements, buildings and improvements and furniture and equipment. The total decrease in the District's investment in capital assets for the current fiscal year was \$5,483,617 or 3.41%. The decrease was the result of current year depreciation expense in excess of capital additions.

Current year capital additions were \$795,723 and depreciation expense was \$6,279,340.

# PHOENIXVILLE AREA SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

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### NONCURRENT LIABILITIES

At the end of the current fiscal year, the District had total general obligation debt of \$131,670,007 consisting of \$128,482,000 of bonds payable and net deferred credits of \$3,188,007. The entire amount is backed by the full faith and credit of the District. General obligation debt was issued to finance capital expenditures or to finance the retirement (refund) of prior obligation debt. The District's general obligation debt decreased by \$6,793,892 or 4.91% during the fiscal year.

During 2020-2021, the District issued \$9,420,000 of general obligation bonds, Series of 2021, the proceeds from which were used to currently refund the remaining portion of the District's outstanding general obligation bonds, Series of 2016 and to pay for the costs of issuance. The District currently refunded the general obligation notes to reduce future debt service payments by \$973,581.

During 2020-2021, the District issued \$5,892,000 of general obligation bonds, Series A of 2021, the proceeds from which were used to currently refund the remaining portion of the District's outstanding general obligation bonds, Series of 2016A and to pay for the costs of issuance. The District currently refunded the general obligation notes to reduce future debt service payments by \$135,954.

State statutes limit the amount of general obligation debt the District may issue up to 225% of its borrowing base capacity which is calculated as the annual arithmetic average of the total revenues for the preceding three fiscal years. The District's outstanding general obligation debt of \$131,670,007 is within the current debt limitation of the District which was \$214,172,955 as of June 30, 2021.

The District reports its allocated portion of its defined benefit unfunded benefit obligation related to its participation in the Pennsylvania State Employee Retirement System ("**PSERS**"). The District's allocated portion of the net pension liability is an actuarially determined estimate of the unfunded cost of the pension plan obligation which totaled \$121,324,935 as of June 30, 2021. The District's net pension liability decreased by \$309,846 or 0.25% during the fiscal year.

The District reports a liability for its other post-employment benefits ("**OPEB**") related to its single employer OPEB plan and its participation in the PSERS health insurance premium assistance program. The District's OPEB liability is an actuarially determined estimate of the unfunded cost of the OPEB obligation which totaled \$7,328,737 as of June 30, 2021. The District's OPEB liability decreased by \$1,601,918 or 17.94% during the fiscal year.

Other noncurrent liabilities consist of the District's liability for compensated absences, which totaled \$1,797,933 as of June 30, 2021. The District's compensated absences liability increased by \$98,700 or 5.81% during the fiscal year.

### FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District has a negotiated three-year contract with the Phoenixville Area Education Association covering September 1, 2021 through August 30, 2024. The economic package (salaries and fringe benefits) included full step and prep level movement in each year of the contract. The base medical and prescription benefit plans were unchanged from the previous base plans, along with no increase in the employees' premium share for the duration of the agreement. Employee premium share for health, prescription, dental and vision coverages remained at 7.00%.
- The District is well positioned to mitigate all the various operational and financial risks arising from COVID-19. The District has offered a combination of in-classroom instruction, hybrid learning, virtual classroom learning and cyber-charter curriculum instruction for grades K-12. This flexible learning environment has allowed the District to institute effective social distancing procedures to protect its students and staff.

# PHOENIXVILLE AREA SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

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- The District is well positioned to handle any future fiscal challenges due to its strong fund balances and it will continue to practice prudent fiscal management practices to ensure sufficient funding for its operations. To date, the District has been awarded approximately \$5,403,692 in federal, state and local grants to help offset the increased costs associated with COVID-19 mitigation efforts.
- The District expects the historical trend for greater local tax effort to fund instructional programs and services to continue as state and federal funding for public education is expected to remain limited. Local sources of revenue, primarily property taxes, now support approximately 80.98% of the costs of educational programs and services in the District while Federal and state pass-through funds make up the balance.
- The District adopted a 2021-2022 budget totaling \$99,144,697 which used no General Fund fund balance as of June 30, 2021 and the real estate tax millage rate was increased by approximately 1.58%.
- In 2006, Act 1 was passed which repealed Act 72, which provides taxpayer relief through gambling revenues generated at the State level. The intent of this legislation is to provide a mechanism to relieve the burden of funding public education from property owners. This new legislation has put a "ceiling" on the percentage increase of local real estate taxes that can be levied year-to-year in order to balance the school district budget. Pennsylvania school districts are now required to seek approval through back-end referendum to increase taxes higher than the approved index. This law puts an already increased burden on the District's revenue stream in future years. This legislation introduced certain new requirements on school districts which include the following:
  - ◆ That in the event a school district wishes to increase the property tax millage rate by more than an index annually prescribed by the state (3.00% for Phoenixville Area School District for 2021-2022), the school district must seek voter approval (known commonly as a "back-end referendum") prior to implementing the millage rate increase. In the event voters do not approve the millage rate increase, the school district must limit its millage rate increase to the index.
  - ◆ Certain exceptions are provided under Act 1 that, if approved by the appropriate authority, may permit increases above the Act 1 index without the need for a back-end referendum. Typically, these exceptions relate to emergencies and cost increases in excess of the Act 1 index (e.g., retirement system contributions) over which the school district has no control.
  - ◆ Any revenues distributed under the provisions of Act 1 are to be used for the purpose of reducing property taxes for homesteaders and farmsteaders. (Act 1 permitted slot machine gambling in Pennsylvania.)
- In November 2010 and, again, in 2017 legislation was signed into law to implement a series of actuarial and funding changes to the Public School Employees' Retirement System ("**PSERS**"). The 2017 law took effect in July of 2019. The law changed the pension plans for all new hires effective July 1, 2019. It does not impact the pension benefits of current or retired PSERS members. Based on available projections, school districts will not see relief from the new legislation until 10-20 years in the future. The employer contribution rate for 2022-2023 is projected at 35.26%. Currently, the employer contribution rate for 2021-2022 is 34.95%.

### CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, Phoenixville Area School District, 386 City Line Avenue, Phoenixville, Pennsylvania 19460.



# PHOENIXVILLE AREA SCHOOL DISTRICT

## STATEMENT OF NET POSITION (DEFICIT)

June 30, 2021 with summarized comparative totals for 2020

	Primary Government				Component
	Governmental Activities	Business-type Activities	Totals		Unit
			2021	2020	Phoenixville Public Library
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>					
<b>CURRENT ASSETS</b>					
Cash	\$ 26,938,320	\$ 485,215	\$ 27,423,535	\$ 19,666,288	\$ 739,929
Investments	2,005,817	-	2,005,817	725,000	-
Taxes receivable, net	6,793,749	-	6,793,749	6,556,844	-
Due from other governments	3,165,530	-	3,165,530	2,830,499	-
Other receivables	220,258	-	220,258	157,991	-
Prepaid expenses	29,738	-	29,738	-	453
Inventories	-	23,753	23,753	46,563	-
<b>Total current assets</b>	<b>39,153,412</b>	<b>508,968</b>	<b>39,662,380</b>	<b>29,983,185</b>	<b>740,382</b>
<b>NONCURRENT ASSETS</b>					
Capital assets, net	155,293,140	240,105	155,533,245	161,016,862	909,712
<b>Total assets</b>	<b>194,446,552</b>	<b>749,073</b>	<b>195,195,625</b>	<b>191,000,047</b>	<b>1,650,094</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred charges on proportionate share of pension - PSERS	19,318,056	-	19,318,056	18,736,108	-
Deferred charges - OPEB - single employer	829,902	-	829,902	113,664	-
Deferred charges on proportionate share of OPEB - PSERS	720,307	-	720,307	691,518	-
<b>Total deferred outflows of resources</b>	<b>20,868,265</b>	<b>-</b>	<b>20,868,265</b>	<b>19,541,290</b>	<b>-</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)</b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable	3,016,480	313,890	3,330,370	3,871,301	79,787
Accrued salaries, payroll withholdings and benefits	9,258,156	-	9,258,156	7,272,775	-
Accrued interest payable	510,273	-	510,273	457,637	-
Unearned revenue	315,221	104,277	419,498	349,755	-
<b>Total current liabilities</b>	<b>13,100,130</b>	<b>418,167</b>	<b>13,518,297</b>	<b>11,951,468</b>	<b>79,787</b>
<b>NONCURRENT LIABILITIES</b>					
Due within one year	7,567,518	-	7,567,518	7,324,725	-
Due in more than one year	254,554,094	-	254,554,094	263,403,843	-
<b>Total noncurrent liabilities</b>	<b>262,121,612</b>	<b>-</b>	<b>262,121,612</b>	<b>270,728,568</b>	<b>-</b>
<b>Total liabilities</b>	<b>275,221,742</b>	<b>418,167</b>	<b>275,639,909</b>	<b>282,680,036</b>	<b>79,787</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred credits on proportionate share of pension - PSERS	10,979,000	-	10,979,000	10,282,000	-
Deferred credits - OPEB - single employer	784,772	-	784,772	855,608	-
Deferred credits on proportionate share of OPEB - PSERS	648,000	-	648,000	540,000	-
Deferred amounts on debt refunding	772,139	-	772,139	844,962	-
<b>Total deferred inflows of resources</b>	<b>13,183,911</b>	<b>-</b>	<b>13,183,911</b>	<b>12,522,570</b>	<b>-</b>
<b>NET POSITION (DEFICIT)</b>					
Net investment in capital assets	22,850,994	240,105	23,091,099	21,708,001	909,712
Restricted	2,475,084	-	2,475,084	2,640,693	-
Unrestricted (deficit)	(98,416,914)	90,801	(98,326,113)	(109,009,963)	660,595
<b>Total net position (deficit)</b>	<b>\$ (73,090,836)</b>	<b>\$ 330,906</b>	<b>\$ (72,759,930)</b>	<b>\$ (84,661,269)</b>	<b>\$ 1,570,307</b>

See accompanying notes

# PHOENIXVILLE AREA SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

Year ended June 30, 2021 with summarized comparative totals for 2020

	Program Revenues				Net (Expense) Revenue and Changes in Net Position (Deficit)				Component
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals		Phoenixville
							2021	2020	Public Library
<b>GOVERNMENTAL ACTIVITIES</b>									
Instruction	\$ 54,979,513	\$ 14,197	\$ 11,228,539	\$ -	\$ (43,736,777)	\$ -	\$ (43,736,777)	\$ (50,550,680)	\$ -
Instructional student support	8,485,901	-	921,833	-	(7,564,068)	-	(7,564,068)	(6,563,916)	-
Administrative and financial support services	9,167,857	-	823,195	-	(8,344,662)	-	(8,344,662)	(8,692,826)	-
Operation and maintenance of plant services	6,283,726	145,169	581,279	113,911	(5,443,367)	-	(5,443,367)	(5,115,238)	-
Pupil transportation	4,749,818	-	758,470	-	(3,991,348)	-	(3,991,348)	(3,022,508)	-
Student activities	1,474,584	25,650	133,154	-	(1,315,780)	-	(1,315,780)	(1,917,151)	-
Community services	18,527	-	-	-	(18,527)	-	(18,527)	(57,528)	-
Interest and amortization expense related to noncurrent liabilities	3,156,966	-	923,221	-	(2,233,745)	-	(2,233,745)	(3,591,869)	-
<b>Total governmental activities</b>	<b>88,316,892</b>	<b>185,016</b>	<b>15,369,691</b>	<b>113,911</b>	<b>(72,648,274)</b>	<b>-</b>	<b>(72,648,274)</b>	<b>(79,511,716)</b>	<b>-</b>
<b>BUSINESS-TYPE ACTIVITIES</b>									
Food service	965,692	23,576	1,035,013	-	-	92,897	92,897	(118,288)	-
<b>Total primary government</b>	<b>\$ 89,282,584</b>	<b>\$ 208,592</b>	<b>\$ 16,404,704</b>	<b>\$ 113,911</b>	<b>(72,648,274)</b>	<b>92,897</b>	<b>(72,555,377)</b>	<b>(79,630,004)</b>	<b>-</b>
<b>COMPONENT UNIT</b>									
Phoenixville Public Library	\$ 1,021,595	\$ 96,604	\$ 601,944	\$ -					(323,047)
<b>GENERAL REVENUES</b>									
Property taxes levied for general purposes					67,196,871	-	67,196,871	64,096,232	-
Other taxes levied for general purposes					11,562,078	-	11,562,078	11,715,477	-
Grants and entitlements not restricted to specific programs					5,117,689	-	5,117,689	5,127,421	-
Investment earnings					99,422	122	99,544	589,410	2,775
Miscellaneous income					1,047,839	-	1,047,839	75,259	2,716
Gain on sale of capital assets					-	-	-	332,072	-
<b>TRANSFERS</b>					<b>(567,305)</b>	<b>-</b>	<b>(567,305)</b>	<b>(567,305)</b>	<b>567,305</b>
<b>Total general revenues and transfers</b>					<b>84,456,594</b>	<b>122</b>	<b>84,456,716</b>	<b>81,368,566</b>	<b>572,796</b>
<b>CHANGE IN NET POSITION (DEFICIT)</b>					<b>11,808,320</b>	<b>93,019</b>	<b>11,901,339</b>	<b>1,738,562</b>	<b>249,749</b>
<b>NET POSITION (DEFICIT)</b>									
Beginning of year					(84,899,156)	237,887	(84,661,269)	(86,399,831)	1,320,558
<b>End of year</b>					<b>\$ (73,090,836)</b>	<b>\$ 330,906</b>	<b>\$ (72,759,930)</b>	<b>\$ (84,661,269)</b>	<b>\$ 1,570,307</b>

See accompanying notes

# PHOENIXVILLE AREA SCHOOL DISTRICT

## BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2021 with summarized comparative totals for 2020

	General Fund	Capital Projects Fund	Totals	
			2021	2020
<b>ASSETS</b>				
Cash	\$ 23,726,444	\$ 3,211,876	\$ 26,938,320	\$ 19,650,324
Investments	2,005,817	-	2,005,817	725,000
Taxes receivable, net	6,793,749	-	6,793,749	6,556,844
Due from other funds	880,183	-	880,183	825,534
Due from other governments	3,165,530	-	3,165,530	2,830,499
Other receivables	220,258	-	220,258	157,991
Prepaid items	29,738	-	29,738	-
<b>Total assets</b>	<b>\$ 36,821,719</b>	<b>\$ 3,211,876</b>	<b>\$ 40,033,595</b>	<b>\$ 30,746,192</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 2,986,708	\$ 29,772	\$ 3,016,480	\$ 3,837,457
Due to other funds	-	880,183	880,183	842,702
Accrued salaries, payroll withholdings and benefits	9,258,156	-	9,258,156	7,272,775
Unearned revenues	315,221	-	315,221	250,135
<b>Total liabilities</b>	<b>12,560,085</b>	<b>909,955</b>	<b>13,470,040</b>	<b>12,203,069</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues - property taxes	5,881,464	-	5,881,464	5,636,566
<b>FUND BALANCES</b>				
Nonspendable				
Prepaid items	29,738	-	29,738	-
Restricted for				
Capital projects	-	2,475,084	2,475,084	2,640,693
Committed to				
Future PSERS obligations	343,000	-	343,000	-
Assigned to				
Future health claims	4,500,000	-	4,500,000	2,558,948
Tax assessment appeals	3,750,000	-	3,750,000	-
Capital reserve planning	2,500,000	-	2,500,000	-
Unassigned (deficit)	7,257,432	(173,163)	7,084,269	7,706,916
<b>Total fund balances</b>	<b>18,380,170</b>	<b>2,301,921</b>	<b>20,682,091</b>	<b>12,906,557</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 36,821,719</b>	<b>\$ 3,211,876</b>	<b>\$ 40,033,595</b>	<b>\$ 30,746,192</b>

See accompanying notes

**PHOENIXVILLE AREA SCHOOL DISTRICT**

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION (DEFICIT)**

**June 30, 2021**

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<b>TOTAL GOVERNMENTAL FUND BALANCES</b>	<b>\$ 20,682,091</b>
Amounts reported for governmental activities in the statement of net position (deficit) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.	155,293,140
Deferred outflows of resources and deferred inflows of resources related to pensions and other post-employment benefits are not reported as assets and liabilities in the governmental funds balance sheet.	8,456,493
Deferred inflows of resources for deferred amounts on debt refunding are currently expended in the governmental funds, whereas they are deferred and amortized over the life of the respective debt in the government-wide statement of net position.	(772,139)
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred inflows of resources on the governmental funds balance sheet.	5,881,464
Noncurrent liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds balance sheet.	(262,121,612)
Accrued interest payable on long-term liabilities is included in the statement of net position (deficit), but is excluded from the governmental funds balance sheet until due and payable.	<u>(510,273)</u>
<b>NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ (73,090,836)</u></b>

# PHOENIXVILLE AREA SCHOOL DISTRICT

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

Year ended June 30, 2021 with summarized comparative totals for 2020

	General Fund	Capital Projects Fund	Totals	
			2021	2020
<b>REVENUES</b>				
Local sources	\$ 78,991,289	\$ 43,838	\$ 79,035,127	\$ 76,085,289
State sources	18,557,191	-	18,557,191	16,764,652
Federal sources	2,855,401	-	2,855,401	1,027,594
<b>Total revenues</b>	<u>100,403,881</u>	<u>43,838</u>	<u>100,447,719</u>	<u>93,877,535</u>
<b>EXPENDITURES</b>				
Current				
Instruction	52,765,777	-	52,765,777	52,940,772
Support services	27,501,429	262,243	27,763,672	25,104,006
Operation of noninstructional services	1,427,118	-	1,427,118	1,939,884
Facilities acquisition, construction and improvement services	-	177,166	177,166	3,881,035
Debt service	10,203,516	-	10,203,516	11,118,037
<b>Total expenditures</b>	<u>91,897,840</u>	<u>439,409</u>	<u>92,337,249</u>	<u>94,983,734</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>8,506,041</u>	<u>(395,571)</u>	<u>8,110,470</u>	<u>(1,106,199)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of/compensation for capital assets	-	-	-	341,389
Refund of prior year receipts	(102)	-	(102)	-
Issuance of debt - refunding	-	15,312,000	15,312,000	68,315,000
Payment of debt - refunding	-	(15,431,799)	(15,431,799)	(69,141,201)
Bond premiums	-	352,270	352,270	1,543,637
Transfer to component unit	(567,305)	-	(567,305)	(567,305)
Transfers in	-	-	-	341,389
Transfers out	-	-	-	(358,556)
<b>Total other financing sources (uses)</b>	<u>(567,407)</u>	<u>232,471</u>	<u>(334,936)</u>	<u>474,353</u>
<b>NET CHANGE IN FUND BALANCES</b>	7,938,634	(163,100)	7,775,534	(631,846)
<b>FUND BALANCES</b>				
Beginning of year	<u>10,441,536</u>	<u>2,465,021</u>	<u>12,906,557</u>	<u>13,538,403</u>
End of year	<u>\$ 18,380,170</u>	<u>\$ 2,301,921</u>	<u>\$ 20,682,091</u>	<u>\$ 12,906,557</u>

See accompanying notes

# PHOENIXVILLE AREA SCHOOL DISTRICT

## RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF ACTIVITIES

Year ended June 30, 2021

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**NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** \$ 7,775,534

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.

Capital outlay expenditures	\$ 795,723	
Depreciation expense	<u>(6,227,789)</u>	(5,432,066)

Because some taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred inflows of resources increased by this amount this year.

Deferred inflows of resources June 30, 2020	(5,636,566)	
Deferred inflows of resources June 30, 2021	<u>5,881,464</u>	244,898

The issuance of long-term debt 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. Neither transaction, however, has any effect on the change in net assets of governmental activities. Also, governmental funds report the effect of premiums, discounts and similar items when long-term debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Repayment of bonds and notes payable	6,775,000	
Repayment of bonds payable - refunding	15,295,000	
Issuance of debt - refunding	(15,312,000)	
Proceeds from bond premiums	(352,270)	
Amortization of bond premiums and deferred amounts on refunding	<u>460,985</u>	6,866,715

Some expenses reported in the statement of activities do not require the use of current financial resources, and, therefore are not reported as expenditures in the governmental funds.

Current year change in accrued interest payable	(52,636)	
Change in net pension liability and related deferred inflows and outflows	194,794	
Current year change in compensated absences and accrued severance	(98,700)	
Change in net post-employment benefit (OPEB) liability and related deferred inflows and outflows	<u>2,309,781</u>	<u>2,353,239</u>

**CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES** **\$ 11,808,320**

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See accompanying notes

**PHOENIXVILLE AREA SCHOOL DISTRICT**

**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**

**June 30, 2021 with summarized comparative totals for 2020**

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	<b>Food Service Fund</b>	
	<b><u>2021</u></b>	<b><u>2020</u></b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 485,215	\$ 15,964
Due from other funds	-	17,168
Inventories	<u>23,753</u>	<u>46,563</u>
<b>Total current assets</b>	<u>508,968</u>	<u>79,695</u>
<b>NONCURRENT ASSETS</b>		
Capital assets, net	<u>240,105</u>	<u>291,656</u>
<b>Total assets</b>	<u>749,073</u>	<u>371,351</u>
<b>LIABILITIES AND NET POSITION</b>		
<b>LIABILITIES</b>		
Accounts payable	313,890	33,844
Unearned revenue	<u>104,277</u>	<u>99,620</u>
<b>Total liabilities</b>	<u>418,167</u>	<u>133,464</u>
<b>NET POSITION</b>		
Net investment in capital assets	240,105	291,656
Unrestricted (deficit)	<u>90,801</u>	<u>(53,769)</u>
<b>Total net position</b>	<u>\$ 330,906</u>	<u>\$ 237,887</u>

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See accompanying notes

# PHOENIXVILLE AREA SCHOOL DISTRICT

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUNDS

Year ended June 30, 2021 with summarized comparative totals for 2020

	<u>Food Service Fund</u>	
	<u>2021</u>	<u>2020</u>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 23,576	\$ 665,735
<b>OPERATING EXPENSES</b>		
Purchased services	831,909	1,228,951
Professional and technical services	7,187	-
Supplies	75,045	98,310
Depreciation	51,551	54,445
<b>Total operating expenses</b>	<u>965,692</u>	<u>1,381,706</u>
<b>Operating loss</b>	<u>(942,116)</u>	<u>(715,971)</u>
<b>NONOPERATING REVENUES</b>		
Earnings on investments	122	2,303
Contributions and donations	56,148	-
State sources	74	30,591
Federal sources	978,791	567,092
<b>Total nonoperating revenues</b>	<u>1,035,135</u>	<u>599,986</u>
<b>LOSS BEFORE TRANSFERS</b>	93,019	(115,985)
Transfers in	<u>-</u>	<u>17,167</u>
<b>CHANGE IN NET POSITION</b>	93,019	(98,818)
<b>NET POSITION</b>		
Beginning of year	<u>237,887</u>	<u>336,705</u>
<b>End of year</b>	<u>\$ 330,906</u>	<u>\$ 237,887</u>

See accompanying notes



# PHOENIXVILLE AREA SCHOOL DISTRICT

## STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year ended June 30, 2021 with summarized comparative totals for 2020

	<u>Food Service Fund</u>	
	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from charges for services	\$ 28,233	\$ 732,820
Cash payments to suppliers for goods and services	<u>(519,116)</u>	<u>(1,516,380)</u>
<b>Net cash used for operating activities</b>	<u>(490,883)</u>	<u>(783,560)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State sources	74	36,671
Federal sources	903,790	560,701
Contributions from private sources	56,148	-
Transfers in	<u>-</u>	<u>17,167</u>
<b>Net cash provided by noncapital financing activities</b>	<u>960,012</u>	<u>614,539</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Earnings on investments	<u>122</u>	<u>2,303</u>
<b>Net increase (decrease) in cash</b>	469,251	(166,718)
<b>CASH</b>		
Beginning of year	<u>15,964</u>	<u>182,682</u>
<b>End of year</b>	<u>\$ 485,215</u>	<u>\$ 15,964</u>
<b>Reconciliation of operating loss to net cash provided by (used for) operating activities:</b>		
Operating loss	\$ (942,116)	\$ (715,971)
<b>Adjustments to reconcile operating loss to net cash provided by (used for) operating activities</b>		
Depreciation	51,551	54,445
Donated commodities used	75,001	98,310
(Increase) decrease in		
Other receivables	-	15,837
Due from other funds	17,168	(17,168)
Inventories	22,810	(21,237)
Increase (decrease) in		
Accounts payable	280,046	(249,024)
Unearned revenue	<u>4,657</u>	<u>51,248</u>
<b>Net cash used for operating activities</b>	<u>\$ (490,883)</u>	<u>\$ (783,560)</u>
<b>SUPPLEMENTAL DISCLOSURES</b>		
<b>Noncash noncapital financing activity</b>		
USDA donated commodities	<u>\$ 75,001</u>	<u>\$ 98,310</u>

See accompanying notes

**PHOENIXVILLE AREA SCHOOL DISTRICT**

**STATEMENT OF NET POSITION - FIDUCIARY FUNDS**

**June 30, 2021**

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	<u>Private Purpose Trust</u>	<u>Custodial Funds</u>	<u>Total</u>
<b>ASSETS</b>			
Cash	\$ 14,674	\$ 218,900	\$ 233,574
<b>NET POSITION</b>			
Net position held in trust for scholarships	14,674	-	14,674
Restricted for student activities	<u>-</u>	<u>218,900</u>	<u>218,900</u>
<b>Total net position</b>	<u>14,674</u>	<u>218,900</u>	<u>233,574</u>
<b>Total liabilities and net position</b>	<u>\$ 14,674</u>	<u>\$ 218,900</u>	<u>\$ 233,574</u>

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See accompanying notes

**PHOENIXVILLE AREA SCHOOL DISTRICT**

**STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS**

Year ended June 30, 2021

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	<b>Private- Purpose Trust Fund</b>	<b>Custodial Funds</b>	<b>Total</b>
<b>ADDITIONS</b>			
Local contributions	\$ -	\$ -	\$ -
Receipts from student groups	-	175,520	175,520
Interest income	-	225	225
<b>Total additions</b>	<u>-</u>	<u>175,745</u>	<u>175,745</u>
<b>DEDUCTIONS</b>			
Scholarships awarded and fees paid	9,911	-	9,911
Student activity disbursements	-	127,937	127,937
<b>Total deductions</b>	<u>9,911</u>	<u>127,937</u>	<u>137,848</u>
<b>CHANGE IN NET POSITION</b>	(9,911)	47,808	37,897
<b>NET POSITION</b>			
Beginning of year	<u>24,585</u>	<u>171,092</u>	<u>195,677</u>
<b>End of year</b>	<u>\$ 14,674</u>	<u>\$ 218,900</u>	<u>\$ 233,574</u>

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See accompanying notes

# PHOENIXVILLE AREA SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Phoenixville Area School District (the "***District***") operates an early learning center, three elementary schools, a middle school and a high school to provide education and related services to the residents of northern Chester County in Phoenixville Borough, Schuylkill Township and East Pikeland Township. The District operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provisions of the School Laws of Pennsylvania as a school district of the third class. The District operates under a locally elected nine-member board form of government (the "***School Board***").

The financial statements of the District have been prepared in accordance with generally accepted accounting principles ("***GAAP***") as applied to governmental units. The Governmental Accounting Standards Board ("***GASB***") is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting policies are as follows:

#### **Reporting Entity**

GASB has established the criteria for determining the activities, organizations and functions of government to be included in the financial statements of the reporting entity. In evaluating the District as a reporting entity, management has addressed all potential component units which may or may not fall within the District's accountability. The criteria used to evaluate component units for possible inclusion as part of the District's reporting entity are financial accountability and the nature and significance of the relationship. Based upon the application of these criteria, the following component unit is required to be included in the Township's reporting entity.

#### **Discretely Presented Component Unit**

The Phoenixville Public Library (the "***Library***") is the only component unit of the District, which serves the Phoenixville Area School District community. The Library is governed by a board appointed by the School Board and the Library is fiscally dependent upon the District because it receives a substantial portion of its operating funds from them and its building is occupied rent-free from the District. The District considers inclusion of the Library's financial information important to the overall presentation of the financial statements. The Library issues separate audited financial statements which are available to the public through the Library administrative offices.

#### **Basis of Presentation**

##### ***Government-Wide Financial Statements***

The statement of net position (deficit) and the statement of activities display information about the District as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities. These statements include the financial activities of the primary government except for fiduciary funds.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flow. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared as further defined below. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

# PHOENIXVILLE AREA SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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The government-wide statement of net position (deficit) presents the financial position of the District which is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources and is classified in one of three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowing attributable to acquiring, constructing or improving those assets. The net position of the District is reported as restricted when constraints placed on net position use is 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. Unrestricted net position (deficit) is the net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

The statement of net position (deficit) includes separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until that time. Deferred inflows of resources represent an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

The government-wide statement of activities presents a comparison between expenses and program revenues for each function of the business-type activities of the District and for each governmental function. Expenses are those that are specifically associated with a service or program and are 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 District.

Except for interfund activity and balances between the funds that underlie governmental activities and the funds that underlie business-type activities, which are reported as transfers and internal balances, the effect of interfund activity has been removed from these statements.

### ***Fund Financial Statements***

During the school year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Fiduciary fund financial statements are presented by fund type.

### ***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. The District reports the following major governmental funds:

The General Fund is the District'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 Capital Projects Fund accounts for financial resources restricted, committed or assigned to be used for capital expenditures or for the acquisition, construction of capital facilities, improvements and/or equipment.

# PHOENIXVILLE AREA SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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### ***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 District considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Deferred inflows of resources are reported in connection with receivables for tax revenues that are not considered to be available to liquidate liabilities of the current period. Revenue from federal, state and other grants designated for payment of specific District expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as unearned revenues until earned. Other receipts are recorded as revenue when received in cash because they are generally not measurable until actually received.

### ***Expenditure Recognition***

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, special termination benefits, other post-employment benefits and claims and judgments are recorded only when payment is due. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

### ***Proprietary Funds***

Like the government-wide financial statements, proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the 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 proprietary funds. The District reports the following proprietary funds:

The Food Service Fund accounts for the revenues and costs of providing meals to students during the school year.

This fund distinguishes 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 District's proprietary fund are charges for services. Operating expenses for the District's proprietary fund include payroll, employee benefits, supplies and administrative costs. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

### ***Fiduciary Funds***

Fiduciary funds reporting focuses on net assets and changes in net assets and are accounted for using the economic resources measurement focus and the accrual basis of accounting. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and custodial funds. The private-purpose trust fund accounts for activities in various scholarship accounts, whose sole purpose is to provide annual scholarships to particular students as described by donor stipulations. Custodial funds are used to account for assets held on behalf of individuals and/or governmental units and are, therefore, not available to support the District's own programs. The District has one custodial consisting of funds held on behalf of the students.

### **Cash and Cash Equivalents**

The District'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.

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# PHOENIXVILLE AREA SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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### **Investments**

Investments are stated at fair value based upon quoted market prices, except for certificates of deposit which are recorded at cost, which approximates fair value.

### **Interfund Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/due 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 government-wide financial statements as "internal balances."

### **Property Taxes**

Taxes are levied on July 1 and are payable in the following periods:

July 1 – August 31	- Discount period, 2% of gross levy
September 1 – October 31	- Face period
November 1 to collection	- Penalty period, 10% of gross levy
December 31	- Lien date

The County Board of Assessments determines assessed valuations of property and the District bills and collects its own property taxes. The tax on real estate for public school purposes for fiscal 2020-2021 was 31.82 mills (\$31.82 for \$1,000 of assessed valuation). The District experiences very small losses from uncollectible property taxes. Property taxes constitute a lien against real property and usually can be collected in full when title transfers. Only balances that remain after tax sales are written off each year. Accordingly, an allowance for doubtful accounts has not been established by the District for property taxes receivable.

Taxpayers within the District have the option of paying in three installments. These installments have the following due dates:

Installment One	- August 31
Installment Two	- September 30
Installment Three	- October 31

The discount (two percent) is not applicable to installment payments; however, the penalty (7.5 percent) will be added if second and third installments are paid subsequent to the due dates.

### **Prepaid Items and Inventories**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide and fund financial statements.

All inventories are valued at the lower of cost (first-in, first-out method) or market.

### **Unearned Revenues**

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

### **Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary fund financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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# PHOENIXVILLE AREA SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

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

Property, plant and equipment (net of salvage value) of the District is depreciated using the straight-line method over the following estimated useful lives: buildings and improvements – 20 years, land improvements – 20 years and furniture and equipment – 5-20 years.

### **Impairment of Long-Lived Assets**

The District evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances is outside the normal life cycle of the capital asset. If a capital asset is considered to be impaired, the amount of impairment is measured by the method that most reflects the decline in service utility of the capital asset at the lower of carrying value or fair value for impaired capital assets that will no longer be used by the District. No impairment losses were recognized in the year ended June 30, 2021.

### **Compensated Absences**

District policies permit employees to accumulate earned but unused vacation and personal days. The liability for these compensated absences is recorded as a noncurrent liability in the government-wide financial statements. A liability for these amounts is recorded in the Governmental Funds financial statements only to the extent they have matured, for example, as a result of employee resignation and retirements.

### **Long-Term Obligations**

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bonds payable are reported net of the applicable bond premium or discount. Bond premiums and discounts are deferred and amortized over the life of the bonds. Deferred amounts on refunding are recorded as a deferred outflow of resources and amortized over the life of the old debt or the life of the new debt, whichever is shorter. All amounts are amortized using the straight-line method.

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 and uses. 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 costs.

### **Fund Equity**

As prescribed by GASB, governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the fund can be spent. The District reports the following fund balance classifications:

#### ***Nonspendable***

Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form – such as inventory or prepaid insurance or (b) legally or contractually required to be maintained intact – such as a trust that must be retained in perpetuity.



# PHOENIXVILLE AREA SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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### ***Restricted***

Restricted fund balances are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

### ***Committed***

Committed fund balances are amounts that can only be used for specific purposes determined by a formal action of the District's highest level of decision-making authority, the School Board. Committed amounts cannot be used for any other purpose unless the School Board removes those constraints by taking the same type of formal action (e.g., resolution).

### ***Assigned***

Assigned fund balances are amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the Business Administrator or (b) an appointed body (e.g., finance committee) or (c) an official to which the District has delegated the authority to assign, modify or rescind amounts to be used for specific purposes.

Assigned fund balance includes (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as non-spendable, restricted or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue fund or the capital projects fund are assigned for purposes in accordance with the nature of their fund type.

### ***Unassigned***

Unassigned fund balance is the residual classification for the General Fund. This classification represents General Fund fund balance that has not been assigned to other funds, and that has not been restricted, committed or assigned to specific purposes within the General Fund.

When both restricted and unrestricted resources are available for use, it is the District's policy to use externally restricted resources first, then unrestricted resources—committed, assigned or unassigned—in order as needed.

The School Board has set a policy to maintain an unassigned General Fund fund balance of not less than 5% and a maximum General Fund fund balance of 8% of the following year's expenditure budget. Unassigned General Fund fund balance in excess of 5% of the following year's expenditure budget may be approved by the School Board for nonrecurring expenditures.

### **Comparative Data**

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation. However, presentation of prior year totals by fund and activity type has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the District's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

# PHOENIXVILLE AREA SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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### **Implementation of New Accounting Pronouncements**

Effective July 1, 2020, the District adopted the provisions of GASB Statement No.84 "*Fiduciary Activities*" GASB Statement No. 90 "*Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*"; GASB Statement No. 93 "*Replacement of Interbank Offered Rates*"; GASB Statement No. 95, "*Postponements of Effective Dates of Certain Authoritative Guidance*" and GASB Statement No. 97, "*Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*".

GASB Statement No. 84 improved guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB Statement No. 84 established criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. As a result of the implementation Statement No. 84 the District reported restricted net position and changes in fiduciary net position for its Student Activities Fund for the year ended June 30, 2021.

GASB Statement No. 90 improved the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defined a majority equity interest and specified that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The implementation of GASB Statement No. 90 had no impact on the financial statements of the District for the year ended June 30, 2021.

GASB Statement No. 93 addresses those and other accounting and financial implications that result from the replacement from IBOR by (1) providing exceptions for certain hedging derivatives to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment; (2) clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; (3) clarifying that the uncertainty related to the continued availability of IBOR's does not, by itself affect the assessment of whether the occurrence of a hedged expected transaction is probable; (4) removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap; (5) identifying a secured overnight financing rate and the effective federal funds rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap and; (6) clarifying the definition of a reference rate, as it is used in GASB Statement 53 "*Accounting and Financial Reporting for Derivative Instruments*". The implementation of GASB Statement No. 93 had no impact on the District's financial statements for the year ended June 30, 2021.

GASB Statement No. 95 provided temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in statements that first became effective or are scheduled to be effective for periods beginning after June 15, 2018, and later. See references to GASB Statement No. 95 within the various pronouncements above to determine the impact on each individual statement. The implementation of GASB Statement No. 95 by the District postponed the implementation of GASB Statement No. 84 until year ended June 30, 2021 as described above and the implementation of GASB Statement No 87 until year ended June 30, 2022 as described below.

# PHOENIXVILLE AREA SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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The objectives of GASB Statement No. 97 are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The implementation of GASB Statement No. 97 had no impact on the financial statements of the District for the year ended June 30, 2021.

### **New Accounting Pronouncements**

GASB Statement No. 87, "*Leases*" will be effective for the District for the year ended June 30, 2022. The objective of GASB Statement No. 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB Statement No. 87 increases the usefulness of financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities.

GASB Statement No. 89, "*Accounting for Interest Cost Incurred Before the End of a Construction Period*", will be effective for the District for the year ended June 30, 2022. The objectives of GASB Statement No. 89 are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. GASB Statement No. 89 establishes accounting required for interest cost incurred before the end of a construction period. Such interest costs includes all interest that previously was accounted for in accordance with the requirements of GASB Statement No. 62, "*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*", which are superseded by GASB Statement No. 89. GASB Statement No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GASB Statement No. 89 also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with government fund accounting principles.

GASB Statement No. 91, "*Conduit Debt Obligations*" will be effective for the District for the year ended June 30, 2022. GASB Statement No. 91 provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

GASB Statement No. 92, "*Omnibus 2020*" will be effective for the District for the year ended June 30, 2022. GASB Statement No. 92 addresses a variety of topics to enhance comparability in accounting and financial reporting and improve consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

# PHOENIXVILLE AREA SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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GASB Statement No. 94, "*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*" will be effective for the District for the year ended June 30, 2023. GASB Statement No. 94 improves financial reporting by addressing issues related to public-private and public-public partnership arrangements ("**PPP**"s). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

GASB Statement No. 96, "*Subscription-Based Information Technology Arrangements*" will be effective for the District for the year ended June 30, 2023. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements ("**SBITA**"s) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

### (2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### Budgetary Information

An annual budget is adopted prior to the beginning of each year for the General Fund on a modified accrual basis of accounting. The General Fund is the only fund for which a budget is legally required, although project-length financial plans are adopted for the Capital Projects fund.

The District is required to publish notice by advertisement at least once in two newspapers of general circulation in the municipalities in which it is located, and within 20 days of final action, that the proposed budget has been prepared and is available for public inspection at the administrative offices of the District. Notice that public hearings will be held on the proposed operating budget must be included in the advertisement; such hearings are required to be scheduled at least 10 days prior to when final action on adoption is taken by the School Board.

After the legal adoption of the budget, the School Board is required to file a copy of the budget with the Pennsylvania Department of Education by July 31. Additional copies of the budget also are required to be filed with the House Education Committee and the Senate Education Committee by September 15.

Legal budgetary control is maintained at the sub-function/major object level. The School Board may make transfers of funds appropriated in any particular item of expenditure by legislative action in accordance with Pennsylvania School Code. Management may amend the budget at the sub-function/sub-object level without approval from the School Board. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments.

### (3) DEPOSITS AND INVESTMENTS

State statutes authorize the District to invest in U.S. Treasury bills, time or share accounts of institutions insured by the Federal Deposit Insurance Corporation or in certificates of deposit when they are secured by proper bond or collateral, repurchase agreements, state treasurer's investment pools or mutual funds.

# PHOENIXVILLE AREA SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

### Deposits

#### Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At June 30, 2021, the carrying amount of the District's deposits was \$27,657,109 and the bank balance was \$27,828,388. The District is required by state 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, Commonwealth of Pennsylvania or any political subdivision. 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. Of the bank balance, \$1,070,154 was covered by federal depository insurance, and \$25,519,323 was collateralized by the District's depositories in accordance with Act 72 and the collateral was held by the depositories' agent in pooled public funds. The remaining cash deposits of the District are in the Pennsylvania School District Liquid Asset Fund ("**PSDLAF**") and the Pennsylvania Local Government Investment Trust ("**PLGIT**"). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PSDLAF and PLGIT act like money market mutual funds in that their objective is to maintain a stable net asset value of \$1 per share, are rated by a nationally recognized statistical rating organization and are subject to independent annual audit. As of June 30, 2021, PSDLAF and PLGIT were rated as AAA by a nationally recognized statistical rating agency.

### Investments

At June 30, 2021, the District had the following investments:

Certificates of deposit – due within one year \$2,005,817

#### Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of the investments or collateral security that are in the possession of an outside party. The District had no investment subject to custodial credit risk as of June 30, 2021.

#### Interest Rate Risk

The District's investment policy limits investment maturities in accordance with state statutes as a means of managing its exposure to fair value losses arising from increasing interest rates.

#### Credit Risk

The District's investment policy limits its investments that are not backed by the "full faith and credit" of the federal and state government to those with the highest credit rating available for such investments issued by a recognized statistical rating organization.

## (4) CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 4,090,491	\$ -	\$ -	\$ 4,090,491
Construction in progress	<u>8,560</u>	<u>351,883</u>	<u>-</u>	<u>360,443</u>
<b>Total capital assets not being depreciated</b>	<u>4,099,051</u>	<u>351,883</u>	<u>-</u>	<u>4,450,934</u>

**PHOENIXVILLE AREA SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

Capital assets being depreciated				
Land improvements	11,616,317	-	-	11,616,317
Buildings and improvements	198,406,013	-	-	198,406,013
Furniture and equipment	<u>25,059,011</u>	<u>443,840</u>	<u>-</u>	<u>25,502,851</u>
<b>Total capital assets being depreciated</b>	<u>235,081,341</u>	<u>443,840</u>	<u>-</u>	<u>235,525,181</u>
<b>Less accumulated depreciation for</b>				
Land improvements	(4,183,133)	(573,576)	-	(4,756,709)
Buildings and improvements	(53,243,635)	(4,695,343)	-	(57,938,978)
Furniture and equipment	<u>(21,028,418)</u>	<u>(958,870)</u>	<u>-</u>	<u>(21,987,288)</u>
<b>Total accumulated depreciation</b>	<u>(78,455,186)</u>	<u>(6,227,789)</u>	<u>-</u>	<u>(84,682,975)</u>
<b>Total capital assets being depreciated, net</b>	<u>156,626,155</u>	<u>(5,783,949)</u>	<u>-</u>	<u>150,842,206</u>
<b>Governmental activities, net</b>	<u>\$160,725,206</u>	<u>\$(5,432,066)</u>	<u>\$ -</u>	<u>\$155,293,140</u>
<b>Business-type activities</b>				
Machinery and equipment	\$ 1,231,724	\$ -	\$ -	\$ 1,231,724
Less accumulated depreciation	<u>(940,068)</u>	<u>(51,551)</u>	<u>-</u>	<u>(991,619)</u>
<b>Business-type activities, net</b>	<u>\$ 291,656</u>	<u>\$(51,551)</u>	<u>\$ -</u>	<u>\$ 240,105</u>

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

<b>Governmental activities</b>	
Instruction	\$4,026,425
Instructional student support	618,617
Administrative and financial support services	659,814
Operation and maintenance of plant services	469,221
Pupil transportation	346,226
Student activities	<u>107,486</u>
<b>Total depreciation expense – governmental activities</b>	<u>\$6,227,789</u>
<b>Business-type activities</b>	
Food service	<u>\$ 51,551</u>

**(5) INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of interfund balances as of June 30, 2021 is as follows:

<u>Receivable To</u>	<u>Amount</u>	<u>Payable From</u>	<u>Amount</u>
General Fund	<u>\$880,183</u>	Capital Projects Fund	<u>\$880,183</u>

Interfund balances between funds represent temporary loans recorded at year-end as the result of a final allocation of revenues and expenditures.

**(6) NONCURRENT LIABILITIES**

The following summarizes the changes in noncurrent liabilities for the year ended June 30, 2021:

**PHOENIXVILLE AREA SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2021

	<u>Balance July 1, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2021</u>	<u>Amount Due Within One Year</u>
<b>Governmental activities</b>					
<b>General obligation debt</b>					
Bonds payable	\$134,465,000	\$15,312,000	\$21,295,000	\$128,482,000	\$7,150,000
Notes payable	775,000	-	775,000	-	-
Bond premiums	3,224,082	352,270	388,175	3,188,177	417,531
Bond discounts	(183)	-	(13)	(170)	(13)
<b>Total general obligation debt</b>	<u>138,463,899</u>	<u>15,664,270</u>	<u>22,458,162</u>	<u>131,670,007</u>	<u>7,567,518</u>
<b>Other noncurrent liabilities</b>					
Compensated absences and accrued severance	1,699,233	98,700	-	1,797,933	-
OPEB liability	3,400,866	1,138,270	2,536,517	2,002,619	-
Net OPEB liability – PSERS	5,529,789	-	203,671	5,326,118	-
Net pension liability - PSERS	<u>121,634,781</u>	<u>-</u>	<u>309,846</u>	<u>121,324,935</u>	<u>-</u>
<b>Total other noncurrent liabilities</b>	<u>132,264,669</u>	<u>1,236,970</u>	<u>3,050,034</u>	<u>130,451,605</u>	<u>-</u>
<b>Total noncurrent liabilities</b>	<u>\$270,728,568</u>	<u>\$16,901,240</u>	<u>\$25,508,196</u>	<u>\$262,121,612</u>	<u>\$7,567,518</u>

Noncurrent liabilities are generally liquidated by the General Fund.

**(7) GENERAL OBLIGATION DEBT**

General obligation debt is a direct obligation of the District for which full faith and credit are pledged and is payable from unrestricted local sources. The District has not pledged any assets as collateral for general obligation debt. General obligation debt was issued to finance capital expenditures or to finance the retirement (refund) of prior general obligation debt.

General obligation debt outstanding as of June 30, 2021 consisted of the following:

<u>Description</u>	<u>Interest Rate(s)</u>	<u>Original Issue Amount</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
<b>General obligation bonds</b>				
Series of 2016B	0.85% - 4.00%	\$ 5,785,000	08/15/2024	\$ 2,820,000
Series of 2017	2.00% - 3.50%	\$ 8,710,000	08/01/2033	8,695,000
Series of 2017A	2.00% - 3.00%	\$ 6,275,000	08/01/2024	4,260,000
Series of 2017AA	0.90% - 5.00%	\$ 3,970,000	11/15/2022	2,700,000
Series of 2017AAA	0.90% - 5.00%	\$ 9,065,000	11/15/2030	8,860,000
Series of 2018	2.15% - 3.10%	\$ 9,995,000	05/15/2035	9,980,000
Series of 2019	2.50% - 3.50%	\$ 9,985,000	02/15/2036	9,975,000
Series of 2020	1.50% - 4.00%	\$18,410,000	11/15/2030	16,475,000
Series of 2020A	1.13% - 2.43%	\$49,905,000	11/15/2031	49,405,000
Series of 2021	2.00% - 3.00%	\$ 9,420,000	11/15/2032	9,420,000
Series of 2021A	1.35%	\$ 5,892,000	08/15/2030	<u>5,892,000</u>
<b>Total general obligation bonds</b>				<u>128,482,000</u>
<b>Total general obligation debt</b>				<u>\$128,482,000</u>

**PHOENIXVILLE AREA SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

Annual debt service requirements to maturity on these obligations are as follows:

<u>Year ending June 30,</u>	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Total Maturities</u>
2022	\$ 7,150,000	\$ 3,323,345	\$ 10,473,345
2023	7,416,000	3,097,157	10,513,157
2024	8,002,000	2,873,641	10,875,641
2025	8,189,000	2,678,750	10,867,750
2026	8,366,000	2,488,017	10,854,017
2027-2031	44,909,000	9,366,206	54,275,206
2032-2036	<u>44,450,000</u>	<u>3,443,004</u>	<u>47,893,004</u>
	<u>\$128,482,000</u>	<u>\$27,270,120</u>	<u>\$155,752,120</u>

**Series 2021 General Obligation Bonds**

On March 31, 2021, the District issued \$9,420,000 of general obligation bonds, Series of 2021, the proceeds from which were used to currently refund the remaining portion of the District's outstanding general obligation bonds, Series of 2016, and to pay for the costs of issuance. The District currently refunded the general obligation bonds to reduce future debt service payments by \$973,581.

**Series of 2021A General Obligation Bonds**

On June 3, 2021, the District issued \$5,892,000 of general obligation bonds, Series of 2021A, the proceeds from which were used to advance refund the remaining portion of the District's outstanding general obligation bonds, Series of 2016A, and to pay for the costs of issuance. The District currently refunded the general obligation bonds to reduce future debt service payments by \$135,954.

**(8) ACCRUED SEVERANCE**

Upon retirement and 10 years of service with the District, a instructional, secretarial and support employees will receive a severance payment as compensation. Instructional personnel receive \$110 for each year of service while secretarial and support personnel receive \$125 for each year of service.

District employees who work a 12-month schedule earn vacation and personal days based upon years of service and job classification. Employees who separate in subsequent years are paid the balance of unearned vacation and personal days upon separation of employment with the District.

**(9) OTHER POST-EMPLOYMENT BENEFITS**

**Single-Employer Defined Benefit OPEB Plan**

The District's other post-employment benefits include a single-employer defined benefit plan that provides medical insurance to certain eligible retirees and their spouse and dependents. The School Board has the authority to establish and amend benefit provisions. The plan does not issue any financial report and is not included in the report of any public employee retirement system or any other entity.

**OPEB Plan Membership**

Membership in the OPEB plan consisted of the following at July 1, 2020:

Active plan members	498
Inactive plan members entitled to but not yet receiving benefit payments	-
Inactive plan members or beneficiaries currently receiving benefit payments	<u>13</u>
Total	<u>511</u>



# PHOENIXVILLE AREA SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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### Funding Policy

The District's contributions are funded on a pay-as-you-go basis. The contribution requirements of retirees are established and may be amended by the School Board.

### OPEB Liability

The District's OPEB liability has been measured as of June 30, 2021. The total OPEB liability was determined by an actuarial valuation as of July 1, 2020, and by rolling forward the liabilities from the July 1, 2020 actuarial valuation through the measurement date. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. The OPEB liability is \$2,002,619, all of which is unfunded. As of June 30, 2021, the OPEB liability of \$2,002,619 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position (deficit).

The District's change in its OPEB liability for the year ended June 30, 2021 was as follows:

<b>Balance as of July 1, 2020</b>	<u>\$ 3,400,866</u>
<b>Changes for the year</b>	
Service cost	227,500
Interest on total OPEB liability	119,844
Changes in benefit terms	(2,422,853)
Difference between expected and actual experience	562,041
Change of assumptions	228,885
Benefit payments	<u>(113,664)</u>
<b>Net changes</b>	<u>(1,398,247)</u>
<b>Balance as of June 30, 2021</b>	<u>\$ 2,002,619</u>

### OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2021, the District recognized negative OPEB expense of \$2,093,617. At June 30, 2021, the District had deferred inflows and outflows of resources related to the OPEB plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$524,572	\$645,677
Changes in assumptions	213,626	139,095
Contributions subsequent to the measurement date	<u>91,704</u>	<u>-</u>
	<u>\$829,902</u>	<u>\$784,772</u>

\$91,704 reported as deferred outflows of resources related to OPEB resulting from District benefit payments subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in OPEB expense as follows:

### Year ended June 30,

2022	\$(18,108)
2023	(18,108)
2024	(18,108)
2025	(18,108)
2026	(18,108)
Thereafter	<u>43,966</u>
	<u>\$(46,574)</u>

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# PHOENIXVILLE AREA SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

### Sensitivity of the OPEB Liability to Change in Healthcare Cost Trend Rates

The following presents the OPEB liability for June 30, 2021, calculated using current healthcare cost trends as well as what the OPEB liability would be if health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
OPEB liability	<u>\$1,766,505</u>	<u>\$2,002,619</u>	<u>\$2,285,826</u>

### Sensitivity of the OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District calculated using the discount rate of 1.86%, as well as what the OPEB liability would be if it were calculated using the discount rate that is one percentage point lower (0.86%) or 1 percentage point higher (2.86%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>0.86%</u>	<u>1.86%</u>	<u>2.86%</u>
OPEB Liability	<u>\$2,159,190</u>	<u>\$2,002,619</u>	<u>\$1,854,391</u>

### Actuarial Methods and Significant Assumptions

The OPEB Liability as of June 30, 2021, was determined by rolling forward the OPEB Liability as of July 1, 2020 to June 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – entry age normal
- Discount rate – 1.86% – Standard and Poors 20 year municipal bond rate. The discount rate changed from 3.36% to 1.86%.
- Salary growth – effective average of 6.75%, comprised of inflation of 2.50%, 1.00% for real wage growth and 0.00% to 2.75% for merit or seniority increases.
- Assumed healthcare cost trends – 5.50% in 2020 through 2023. Rates gradually decrease from 5.40% in 2024 to 4.00% in 2075 and later.
- Mortality rates were based on the Buck Modified 2016 projection scale to reflect mortality improvement

### Cost Sharing Multiple-Employer Defined Benefit OPEB Plan

PSERS provides health insurance premium assistance which, is a governmental cost sharing, multiple-employer OPEB plan for all eligible retirees who qualify and elect to participate. Employer contribution rates for health insurance premium assistance are established to provide reserves in the health insurance account that are sufficient for the payment of health insurance premium assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' health options program. As of June 30, 2020, there were no assumed future benefit increases to participating eligible retirees.

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

# PHOENIXVILLE AREA SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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

### **Benefits Provided**

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' health options program. As of June 30, 2020, there were no assumed future benefit increases to participating eligible retirees.

### **Employer Contributions**

The District's contractually required contribution rate for the fiscal year ended June 30, 2021 was 0.82% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$298,307 for the year ended June 30, 2021.

### **OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2021, the District reported a liability of \$5,326,118 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward PSERS' total OPEB liability as of June 30, 2019 to June 30, 2020. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the District's proportion was 0.2465 percent, which was a decrease of 0.0135 percent from its proportion measured as of June 30, 2019. As of June 30, 2021, the OPEB liability of \$5,326,118 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position (deficit).

For the year ended June 30, 2021, the District recognized OPEB expense of \$181,000. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Net difference between expected and actual experience	\$ 49,000	\$ -
Changes in assumptions	217,000	117,000
Net difference between projected and actual investment earnings	9,000	-
Changes in proportions	147,000	531,000
Contributions subsequent to the measurement date	<u>298,307</u>	<u>-</u>
	<b><u>\$720,307</u></b>	<b><u>\$648,000</u></b>

\$298,307 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

# PHOENIXVILLE AREA SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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**Year ended June 30,**

2021	\$ (72,000)
2022	(74,000)
2023	(75,000)
2024	38,000
2025	(18,000)
Thereafter	<u>(25,000)</u>
	<u><b>\$(226,000)</b></u>

**Actuarial Assumptions**

The net OPEB liability as of June 30, 2020, was determined by rolling forward the PSERS' net OPEB liability as of June 30, 2019 to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - entry age normal - level % of pay
- Investment return – 2.66% - Standard & Poor's 20-year municipal bond rate
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Premium assistance reimbursement is capped at \$1,200 per year.
- Assumed healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 mortality tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 mortality improvement scale.

Participation rate:

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

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study that was performed for the five-year period June 30, 2015.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2018 determined the employer contribution rate for fiscal year 2020.
- Cost method - amount necessary to assure solvency of premium assistance through the third fiscal year after the valuation date.
- Asset valuation method: market value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 combined healthy annuitant tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 combined disabled tables with age set back 7 years for males and 3 years for females and disabled annuitants. (A unisex table based on the RP-2000 combined healthy annuitant tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

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

# PHOENIXVILLE AREA SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

<u>OPEB – Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	50.30%	(1.00%)
US core fixed income	46.50%	(0.10%)
Non-US developed fixed	<u>3.20%</u>	(0.10%)
	<u>100.00%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2020.

### Discount Rate

The discount rate used to measure the OPEB liability was 2.66%. Under the OPEB plan's funding policy, contributions are structured for short term funding of health insurance premium assistance. The funding policy sets contribution rates necessary to assure solvency of health insurance premium assistance through the third fiscal year after the actuarial valuation date. The health insurance premium assistance account is funded to establish reserves that are sufficient for the payment of health insurance premium assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the OPEB plan is considered a "pay-as-you-go" plan. A discount rate of 2.66% which represents the Standard & Poor's 20 year municipal bond rate at June 30, 2020, was applied to all projected benefit payments to measure the total OPEB liability.

### Sensitivity of District's Proportionate Share of the Net OPEB Liability to Change in Healthcare Cost Trend Rates

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual health insurance premium assistance. As of June 30, 2020, retirees health insurance premium assistance benefits are not subject to future healthcare cost increases. The healthcare insurance premium assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on healthcare cost trends as depicted below.

The following presents the net OPEB liability for June 30, 2020, calculated using current healthcare cost trends as well as what net OPEB liability would be if it health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	<u>\$5,325,435</u>	<u>\$5,326,118</u>	<u>\$5,326,663</u>

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

The following presents the net OPEB liability, calculated using the discount rate of 2.66%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.66%) or 1-percentage-point higher (3.66%) than the current rate:

# PHOENIXVILLE AREA SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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	<u>1% Decrease</u> 1.66%	<u>Current Discount Rate</u> 2.66%	<u>1% Increase</u> 3.66%
District's proportionate share of the net OPEB liability	<u>\$6,072,597</u>	<u>\$5,326,118</u>	<u>\$4,707,970</u>

### **OPEB Plan Fiduciary Net Position**

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on PSERS's website at [www.psers.pa.gov](http://www.psers.pa.gov).

## **(10) PENSION PLAN**

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

### **Plan Description**

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

### **Benefits Provided**

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

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2.00% or 2.50%, depending upon membership class, of the member's final average salary (as defined in the code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

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

# PHOENIXVILLE AREA SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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### Contributions

#### Member Contributions

Active members who joined the system prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the system on or after July 22, 1983 and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the system after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined the system after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.50% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect T-F membership, contribute at 10.30% (base rate) of the member's qualifying compensation. Membership Class T-E and T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause Membership Class T-E contribution rate to fluctuate between 7.50% and 9.50% and Membership Class T-F contribution rate to fluctuate between 10.30% and 12.30%.

#### Employer Contributions

The District's contractually required contribution rate for fiscal year ended June 30, 2021 was 33.51% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$12,256,056 for the year ended June 30, 2021.

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

At June 30, 2021, the District reported a liability of \$121,324,935 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by rolling forward the system's total pension liability as of June 30, 2019 to June 30, 2020. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the District's proportion was 0.2464 percent, which was a decrease of 0.0136 percent from its proportion measured as of June 30, 2019. As of June 30, 2021, the net pension liability of \$121,324,935 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position (deficit).

For the year ended June 30, 2021, the District recognized pension expense of \$12,294,000. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 317,000	\$ 2,908,000
Changes in assumptions	-	-
Net difference between projected and actual investment earnings	5,333,000	-
Changes in proportions	1,412,000	8,071,000
Contributions subsequent to the measurement date	<u>12,256,056</u>	<u>-</u>
	<u>\$19,318,056</u>	<u>\$10,979,000</u>

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# PHOENIXVILLE AREA SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

\$12,256,056 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30,**

2021	\$(3,551,000)
2022	(1,904,000)
2023	(46,000)
2024	<u>1,584,000</u>
	<u><u>\$(3,917,000)</u></u>

**Actuarial Assumptions**

The total pension liability as of June 30, 2021 was determined by rolling forward PSERS' total pension liability at June 30, 2019 to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

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

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial valuation experience study that was performed for the five year period ending June 30, 2015.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	15.0 %	5.20%
Private equity	15.0 %	7.20%
Fixed income	36.0 %	1.10%
Commodities	8.0 %	1.80%
Absolute return	10.0 %	2.50%
Infrastructure/MLPs	6.0 %	5.70%
Real estate	10.0 %	5.50%
Risk parity	8.0 %	3.30%
Cash	6.0 %	(1.00%)
Financing (LIBOR)	<u>(14.0)%</u>	<u>(0.70%)</u>
	<u>100.0 %</u>	



# PHOENIXVILLE AREA SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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The above was the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2020.

### Discount Rate

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

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

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

	<u>1% Decrease</u> <u>6.25%</u>	<u>Current</u> <u>Discount</u> <u>Rate</u> <u>7.25%</u>	<u>1% Increase</u> <u>8.25%</u>
District's proportionate share of the net pension liability	<u>\$150,104,581</u>	<u>\$121,324,935</u>	<u>\$96,944,555</u>

### Pension Plan Fiduciary Net Position

Detailed information about the PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the system's website at [www.psers.state.pa.us](http://www.psers.state.pa.us).

## (11) JOINT VENTURE AND JOINTLY GOVERNED ORGANIZATION

### Technical College High School Pickering

The District and four other Chester County school districts participate in the Technical College High School Pickering Campus ("**TCHS Pickering**"). The TCHS Pickering Campus provides vocational-technical training and education to students of the participating school districts. The TCHS Pickering Campus is controlled by a joint Board comprised of representative school board members of the participating school districts. District oversight of the TCHS Pickering Campus operations is the responsibility of the joint board. The District's share of operating costs for the TCHS Pickering Campus fluctuates based on the District's percentage of enrollment. The District's share of operating costs for 2020-2021 was \$650,828.

The TCHS Pickering Campus prepares financial statements that are available to the public from their administrative offices.

### Chester County Intermediate Unit

The District and the other Chester County school districts are participating members of the Chester County Intermediate Unit (the "**CCIU**"). The CCIU is a regional educational service agency, established by the Commonwealth of Pennsylvania, which is governed by a joint committee consisting of School Board members from each participating district. The School Board of each participating district must approve the annual operating budget of the CCIU but the participating districts have no ongoing fiduciary interest or responsibility to the CCIU. The CCIU is a self-sustaining organization that provides a broad array of services to participating districts which include: curriculum development and instructional improvement; educational planning services; instructional material; continuing professional development; pupil personnel services; management services and state and federal liaison services.

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# PHOENIXVILLE AREA SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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### (12) CONTINGENCIES AND COMMITMENTS

#### Government Grants and Awards

The District receives federal, state and local funding under a number of programs. Payments made by these sources under contractual agreements are provisional and subject to redetermination based on filing of reports and audits of those reports. Final settlements due from or to these sources are recorded in the year in which the related services are performed. Any adjustments resulting from subsequent examinations are recognized in the year in which the results of such examinations become known. District officials do not expect any significant adjustments as a result of these examinations.

#### Litigation

The District is a defendant in various matters of litigation and claims. These matters result from the normal course of business. It is not presently possible to determine the ultimate outcome or settlement cost, if any, of these matters.

### (13) RISK MANAGEMENT

#### Other Risks

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs including workers compensation and employee health accident insurance. For insured programs, there were no significant reductions in insurance coverages during the 2020-2021 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

#### Medical

The District participates in a consortium with the CCIU to provide a self-insurance program for health insurance and related expenses for eligible employees, spouses and dependents. Accordingly, benefit payments plus an administrative charge are made to a third-party administrator, who approves and processes all claims.

#### Workers' Compensation

The District and other participating Pennsylvania school districts and educational agencies participate in the School District Insurance Consortium ("**SDIC**"), which is a voluntary trust. The District and the other participating members pay premiums to SDIC for the purpose of seeking prevention or lessening of claims due to injuries of employees of the participating members and pooling workers' compensation and occupational disease insurance risks, reserves claims and losses and providing self-insurance and reinsurance thereof. It is the intent of the participating members of SDIC that the SDIC will utilize funds contributed by the participating members, which shall be held in trust by SDIC, to provide self-insurance and reimbursements to the members for their obligations to pay compensation as required under the Workers' Compensation Act and the Pennsylvania Occupational Disease Act and to purchase excess and aggregate insurance. As of June 30, 2021, the District is not aware of any additional assessments relating to SDIC.

### (14) PRIOR PERIOD RESTATEMENT

As a result of the implementation of GASB Statement No. 84 "*Fiduciary Activities*", the District made a prior period adjustment to record net position for its Custodial Fund within its fiduciary activities. This prior period adjustment and its effect on net position at July 1, 2020 was an increase in Custodial Fund net position of \$171,092. Prior to the implementation of GASB Statement No. 84, custodial fund assets equaled liabilities and did not involve measurement of results of operations.

# PHOENIXVILLE AREA SCHOOL DISTRICT

## *NOTES TO FINANCIAL STATEMENTS*

June 30, 2021

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### **(15) SUBSEQUENT EVENTS**

Management has evaluated subsequent events through March 25, 2022, the date on which the financial statements were available to be issued. No material subsequent events have occurred since June 30, 2021 that required recognition or disclosure in the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**PHOENIXVILLE AREA SCHOOL DISTRICT**

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

**Year ended June 30, 2021**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Local sources	\$ 76,781,477	\$ 76,781,477	\$ 78,991,289	\$ 2,209,812
State sources	17,775,050	17,775,050	18,557,191	782,141
Federal sources	1,300,000	1,300,000	2,855,401	1,555,401
<b>Total revenues</b>	<u>95,856,527</u>	<u>95,856,527</u>	<u>100,403,881</u>	<u>4,547,354</u>
<b>EXPENDITURES</b>				
<b>Instruction</b>				
Regular programs	37,997,934	37,997,934	37,463,887	534,047
Special programs	15,315,194	15,315,194	13,074,109	2,241,085
Vocational programs	650,828	650,828	650,828	-
Other instructional programs	1,658,644	1,658,644	1,576,953	81,691
<b>Total instruction</b>	<u>55,622,600</u>	<u>55,622,600</u>	<u>52,765,777</u>	<u>2,856,823</u>
<b>Support services</b>				
Pupil support services	4,752,233	4,752,233	4,856,544	(104,311)
Instructional staff services	2,108,345	2,108,345	1,900,193	208,152
Administrative services	4,770,126	4,770,126	4,884,484	(114,358)
Pupil health	1,249,792	1,249,792	1,350,159	(100,367)
Business services	1,030,296	1,030,296	1,134,920	(104,624)
Operation and maintenance of plant services	5,831,920	5,831,920	6,149,086	(317,166)
Student transportation services	4,936,978	4,936,978	4,537,243	399,735
Support services - central	2,169,309	2,169,309	2,627,373	(458,064)
Other support services	38,000	38,000	61,427	(23,427)
<b>Total support services</b>	<u>26,886,999</u>	<u>26,886,999</u>	<u>27,501,429</u>	<u>(614,430)</u>
<b>Operation of noninstructional services</b>				
Student activities	2,257,495	2,257,495	1,408,590	848,905
Community services	-	-	18,528	(18,528)
<b>Total operation of noninstructional services</b>	<u>2,257,495</u>	<u>2,257,495</u>	<u>1,427,118</u>	<u>830,377</u>
<b>Debt service</b>	<u>10,613,000</u>	<u>10,613,000</u>	<u>10,203,516</u>	<u>409,484</u>
<b>Total expenditures</b>	<u>95,380,094</u>	<u>95,380,094</u>	<u>91,897,840</u>	<u>3,482,254</u>
<b>Excess of revenues over expenditures</b>	<u>476,433</u>	<u>476,433</u>	<u>8,506,041</u>	<u>8,029,608</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Other sources	400,000	400,000	-	(400,000)
Refund of prior year receipts	-	-	(102)	(102)
Transfers to component unit	(567,000)	(567,000)	(567,305)	(305)
Budgetary reserve	(309,433)	(309,433)	-	309,433
<b>Total other financing sources (uses)</b>	<u>(476,433)</u>	<u>(476,433)</u>	<u>(567,407)</u>	<u>(90,974)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	<u>7,938,634</u>	<u>\$ 7,938,634</u>
<b>FUND BALANCE</b>				
Beginning of year			10,441,536	
<b>End of year</b>			<u>\$ 18,380,170</u>	

**PHOENIXVILLE AREA SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - PSERS**

Year ended June 30

	<b>Measurement Date</b>						
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net position liability	0.2464%	0.2600%	0.2642%	0.2521%	0.2764%	0.2444%	0.2411%
District's proportionate share of the net pension liability	\$ 121,324,935	\$ 121,634,781	\$ 126,829,000	\$ 124,508,000	\$ 136,975,000	\$ 105,863,000	\$ 95,429,000
District's covered-employee payroll	\$ 34,594,011	\$ 35,856,857	\$ 35,577,213	\$ 33,567,250	\$ 35,794,728	\$ 31,447,923	\$ 30,764,754
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	350.71%	339.22%	356.49%	370.92%	382.67%	336.63%	310.19%
Plan fiduciary net position as a percentage of the total pension liability	54.32%	55.66%	68.39%	69.66%	63.32%	57.76%	61.47%

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In accordance with GASB Statement No. 68, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**PHOENIXVILLE AREA SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S PENSION PLAN CONTRIBUTIONS - PSERS**

**Year ended June 30**

	<b>Measurement Date</b>							
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 11,511,040	\$ 11,643,414	\$ 11,211,000	\$ 9,643,000	\$ 8,793,000	\$ 6,311,000	\$ 4,803,000	\$ 3,627,762
Contributions in relation to the contractually required contribution	<u>11,511,040</u>	<u>11,643,414</u>	<u>11,211,000</u>	<u>9,643,000</u>	<u>8,793,000</u>	<u>6,311,000</u>	<u>4,803,000</u>	<u>3,627,762</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 34,594,011	\$ 35,856,857	\$ 35,577,213	\$ 33,567,250	\$ 35,794,728	\$ 31,447,923	\$ 30,764,754	\$ 29,804,494
Contributions as a percentage of covered-employee payroll	33.27%	32.47%	31.51%	28.73%	24.57%	20.07%	15.61%	12.17%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**PHOENIXVILLE AREA SCHOOL DISTRICT**

**SCHEDULE OF CHANGES IN OPEB LIABILITY - SINGLE EMPLOYER PLAN**

Year ended June 30

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>TOTAL OPEB LIABILITY</b>				
Service cost	\$ 227,500	\$ 231,875	\$ 240,015	\$ 244,771
Interest on total OPEB liability	119,844	102,974	128,983	100,066
Change in benefit terms	(2,422,853)	-	-	-
Difference between expected and actual experience	562,041	-	(821,771)	-
Change of assumptions	228,885	(109,345)	(44,904)	(14,571)
Benefit payments	<u>(113,664)</u>	<u>(105,351)</u>	<u>(223,542)</u>	<u>(223,211)</u>
<b>Net change in total OPEB liability</b>	(1,398,247)	120,153	(721,219)	107,055
<b>Total OPEB liability, beginning</b>	<u>3,400,866</u>	<u>3,280,713</u>	<u>4,001,932</u>	<u>3,894,877</u>
<b>Total OPEB liability, ending</b>	<u>\$ 2,002,619</u>	<u>\$ 3,400,866</u>	<u>\$ 3,280,713</u>	<u>\$ 4,001,932</u>
<b>Fiduciary net position as a % of total OPEB liability</b>	0.00%	0.00%	0.00%	0.00%
<b>Covered payroll</b>	\$ 34,409,832	\$ 30,576,573	\$ 30,576,573	\$ 29,913,970
<b>OPEB liability as a % of covered payroll</b>	5.82%	11.12%	10.73%	13.38%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.



# PHOENIXVILLE AREA SCHOOL DISTRICT

## SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY -PSERS

Year ended June 30

	Measurement Date			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.2465%	0.2600%	0.2642%	0.2521%
District's proportionate share of the net OPEB liability	\$ 5,326,118	\$ 5,529,789	\$ 5,508,000	\$ 5,136,000
District's covered-employee payroll	\$ 34,594,011	\$ 35,856,857	\$ 35,577,213	\$ 33,567,250
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	15.40%	15.42%	15.48%	15.30%
Plan fiduciary net position as a percentage of the total OPEB liability	5.69%	5.56%	5.56%	6.00%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**PHOENIXVILLE AREA SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S OPEB PLAN CONTRIBUTIONS - PSERS**

**Year ended June 30**

	<b>Measurement Date</b>			
	<b><u>2020</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Contractually required contribution	\$ 290,187	\$ 297,885	\$ 295,000	\$ 297,781
Contributions in relation to the contractually required contribution	<u>290,187</u>	<u>297,885</u>	<u>295,000</u>	<u>297,781</u>
Contribution deficiency (excess)	-	-	-	-
District's covered-employee payroll	\$ 34,594,011	\$ 35,856,857	\$ 35,577,213	\$ 33,567,250
Contributions as a percentage of covered-employee payroll	0.84%	0.83%	0.83%	0.89%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS**

**PHOENIXVILLE AREA SCHOOL DISTRICT**

**COMBINING BALANCE SHEET - CAPITAL PROJECTS FUND**

June 30, 2021

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	<u>Capital Reserve Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash	<u>\$ 2,923,547</u>	<u>\$ 288,329</u>	<u>\$ 3,211,876</u>
<b>LIABILITIES AND FUND BALANCES (DEFICIT)</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 29,772	\$ -	\$ 29,772
Due to other funds	<u>418,691</u>	<u>461,492</u>	<u>880,183</u>
<b>Total liabilities</b>	<u>448,463</u>	<u>461,492</u>	<u>909,955</u>
<b>FUND BALANCES (DEFICIT)</b>			
Restricted for			
Capital projects	2,475,084	-	2,475,084
Unassigned (deficit)	<u>-</u>	<u>(173,163)</u>	<u>(173,163)</u>
<b>Total fund balances (deficit)</b>	<u>2,475,084</u>	<u>(173,163)</u>	<u>2,301,921</u>
<b>Total liabilities and fund balances</b>	<u>\$ 2,923,547</u>	<u>\$ 288,329</u>	<u>\$ 3,211,876</u>

**PHOENIXVILLE AREA SCHOOL DISTRICT**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - CAPITAL PROJECTS FUND**

Year ended June 30, 2021

	<u>Capital Reserve Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
<b>REVENUES</b>			
Local sources	\$ 39,356	\$ 4,482	\$ 43,838
<b>EXPENDITURES</b>			
Current			
Support services	29,772	232,471	262,243
Facilities acquisition, construction and improvement services	<u>175,193</u>	<u>1,973</u>	<u>177,166</u>
<b>Total expenditures</b>	<u>204,965</u>	<u>234,444</u>	<u>439,409</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(165,609)</u>	<u>(229,962)</u>	<u>(395,571)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Issuance of debt - refunding	-	15,312,000	15,312,000
Payment of debt - refunding	-	(15,431,799)	(15,431,799)
Bond premiums	<u>-</u>	<u>352,270</u>	<u>352,270</u>
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>232,471</u>	<u>232,471</u>
<b>NET CHANGE IN FUND BALANCES</b>	(165,609)	2,509	(163,100)
<b>FUND BALANCES</b>			
Beginning of year	<u>2,640,693</u>	<u>(175,672)</u>	<u>2,465,021</u>
<b>End of year</b>	<u>\$2,475,084</u>	<u>\$ (173,163)</u>	<u>\$ 2,301,921</u>

**SINGLE AUDIT**

# PHOENIXVILLE AREA SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS

Year ended June 30, 2021

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<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Dates</u>	<u>Grant Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue July 1, 2020</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2021</u>	<u>Passed Through to Subrecipients</u>
<b>U.S. Department of Education</b>											
<b>Passed-Through the Pennsylvania Department of Education</b>											
Title I - Improving Basic Programs	I	84.010	013-200337	07/01/19 - 09/30/20	\$ 352,208	\$ 75,463	\$ 75,463	\$ -	\$ -	\$ -	\$ -
Title I - Improving Basic Programs	I	84.010	013-210337	07/01/20 - 09/30/21	442,133	338,215	-	442,133	442,133	103,918	-
Total CFDA #84.010						413,678	75,463	442,133	442,133	103,918	-
Title II - Improving Teacher Quality	I	84.367	020-200337	07/01/19 - 09/30/20	81,931	28,371	12,389	15,982	15,982	-	-
Title II - Improving Teacher Quality	I	84.367	020-210337	07/01/20 - 09/30/21	95,289	29,102	-	95,287	95,287	66,185	-
Total CFDA #84.367						57,473	12,389	111,269	111,269	66,185	-
Title III - Language Instruction LEP/Immigrant Students	I	84.365	010-200337	07/01/19 - 09/30/20	64,740	32,370	32,370	-	-	-	-
Title III - Language Instruction LEP/Immigrant Students	I	84.365	010-210337	07/01/20 - 09/30/21	77,230	35,645	-	77,230	77,230	41,585	-
Total CFDA #84.365						68,015	32,370	77,230	77,230	41,585	-
Title IV - Student Support and Academic Enrichment Grants	I	84.424	144-210337	07/01/20 - 09/30/21	26,711	12,328	-	26,711	26,711	14,383	-
COVID-19 Education Stabilization Fund-ESSER I	I	84.425	200-200337	03/13/20 - 09/30/22	289,284	258,833	-	273,172	273,172	14,339	-
COVID-19 Education Stabilization Fund-ESSER II	I	84.425	200-210337	03/13/21 - 09/30/23	1,621,337	75,411	-	517,339	517,339	441,928	-
COVID-19 Education Stabilization Fund-SECIM	i	84.425	252-200337	03/13/20 - 09/30/22	40,112	10,556	-	19,148	19,148	8,592	-
<b>Passed Through the Pennsylvania Commission on Crime and Delinquency</b>											
COVID-19 Continuity of Education and Mental Health	I	84.425	2020-ES-01-35315	03/13/20 - 09/30/22	133,548	37,280	-	37,280	37,280	-	-
Total CFDA #84.425						382,080	-	846,939	846,939	464,859	-
<b>Passed Through the Chester County I.U.</b>											
I.D.E.A. - Part B, Section 611	I	84.027	062-1900024	07/01/19 - 09/30/20	497,750	331,833	331,833	-	-	-	-
I.D.E.A. - Part B, Section 611	I	84.027	062-2000024	07/01/20 - 09/30/21	517,567	244,594	-	517,567	517,567	272,973	-
Total CFDA #84.027						576,427	331,833	517,567	517,567	272,973	-
I.D.E.A. - Part B, Section 619	I	84.173	131-200024	07/01/20 - 06/30/21	2,184	2,184	-	2,184	2,184	-	-
Total U.S. Department of Education						1,512,185	452,055	2,024,033	2,024,033	963,903	-

Continued on next page

<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Dates</u>	<u>Grant Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue July 1, 2020</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2021</u>	<u>Passed Through to Subrecipients</u>
<b><u>U. S. Department of the Treasury</u></b>											
<b><u>Passed Through the Pennsylvania Commission on Crime and Delinquency</u></b>											
COVID-19 Relief Fund	I	21.019	2020-CS-01-33800	03/01/20 - 10/30/20	280,376	280,376	-	280,376	280,376	-	-
<b><u>Passed Through the Chester County I.U.</u></b>											
COVID-19 Relief Fund	I	21.019	19947	03/01/20 - 12/30/20	510,553	510,553	-	510,553	510,553	-	-
Total CFDA #21.019						790,929	-	790,929	790,929	-	-
<b>Total U.S. Department of the Treasury</b>						790,929	-	790,929	790,929	-	-
<b><u>U.S. Department of Health and Human Services</u></b>											
<b><u>Passed-Through the Pennsylvania Department of Welfare</u></b>											
Medical Assistance Program - Reimbursement for Health-Related Transportation and Administration	I	93.778	N/A	07/01/20 - 06/30/21	N/A	19,032	15,691	22,838	22,838	19,497	-
<b><u>U.S. Department of Agriculture</u></b>											
<b><u>Passed-Through the Pennsylvania Department of Education</u></b>											
State Matching Share - Breakfast	S	N/A	N/A	07/01/20 - 06/30/21	N/A	31	-	31	31	-	-
State Matching Share - Lunch	S	N/A	N/A	07/01/20 - 06/30/21	N/A	43	-	43	43	-	-
Total State Matching Share						74	-	74	74	-	-
Breakfast Program	I	10.553	N/A	07/01/20 - 06/30/21	N/A	643	-	643	643	-	-
Summer Food Program	I	10.559	N/A	07/01/20 - 06/30/21	N/A	901,991	-	901,991	901,991	-	-
National School Lunch Program	I	10.555	N/A	07/01/20 - 06/30/21	N/A	1,157	-	1,157	1,157	-	-
<b><u>Passed-Through the Pennsylvania Department of Agriculture</u></b>											
National School Lunch Program	I	10.555	N/A	07/01/20 - 06/30/21	N/A	52,190 (a)	(46,563) (b)	75,001 (c)	75,001	(23,752) (d)	-
Total CFDA #10.555						53,347	(46,563)	76,158	76,158	(23,752)	-
<b>Total U.S. Department of Agriculture</b>						956,055	(46,563)	978,866	978,866	(23,752)	-
<b>Total Federal Awards and Certain State Grants</b>						<b>\$ 3,278,201</b>	<b>\$ 421,183</b>	<b>\$ 3,816,666</b>	<b>\$ 3,816,666</b>	<b>\$ 959,648</b>	<b>\$ -</b>

**Continued on next page**



<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Dates</u>	<u>Grant Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue July 1, 2020</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2021</u>	<u>Passed Through to Subrecipients</u>
Total Federal Awards						\$ 3,278,127	\$ 421,183	\$ 3,816,592	\$ 3,816,592	\$ 959,648	\$ -
Total State Awards						<u>74</u>	<u>-</u>	<u>74</u>	<u>74</u>	<u>-</u>	<u>-</u>
Total Federal Awards and Certain State Grants						<u>\$ 3,278,201</u>	<u>\$ 421,183</u>	<u>\$ 3,816,666</u>	<u>\$ 3,816,666</u>	<u>\$ 959,648</u>	<u>\$ -</u>
Special Education Cluster (IDEA) (CFDA's #84.027 and #84.173)						<u>\$ 578,611</u>	<u>\$ 331,833</u>	<u>\$ 519,751</u>	<u>\$ 519,751</u>	<u>\$ 272,973</u>	<u>\$ -</u>
Child Nutrition Cluster (CFDA's #10.553, #10.555 and #10.559)						<u>\$ 955,981</u>	<u>\$ (46,563)</u>	<u>\$ 978,792</u>	<u>\$ 978,792</u>	<u>\$ (23,752)</u>	<u>\$ -</u>

**Footnotes**

- (a) Total amount of commodities received from Department of Agriculture
- (b) Beginning inventory at July 1, 2020
- (c) Total amount of commodities used
- (d) Ending inventory at June 30, 2021

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**Source Codes**

- D - Direct Funding
- I - Indirect Funding
- S - State Share

# PHOENIXVILLE AREA SCHOOL DISTRICT

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS

June 30, 2021

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### (1) FEDERAL EXPENDITURES

The Schedule of Expenditures of Federal Awards and Certain State Grants reflects federal expenditures for all individual grants which were active during the fiscal year. Additionally, the Schedule reflects expenditures for certain state grants.

### (2) BASIS OF ACCOUNTING

The District uses the modified accrual method of recording transactions except as noted for the accounting of donated commodities in Note 3. Revenues are recorded when measurable and available. Expenditures are recorded when incurred.

### (3) NONMONETARY FEDERAL AWARDS – DONATED FOOD

The Commonwealth of Pennsylvania distributes federal surplus food to institutions (schools, hospitals and prisons) and to the needy. Expenditures reported in the Schedule of Expenditures of Federal Awards and Certain State Grants under CFDA #10.555 National School Lunch Program and passed through the Pennsylvania Department of Agriculture represent federal surplus food consumed by the District during the 2020-2021 fiscal year.

### (4) ACCESS PROGRAM

The District participates in the ACCESS Program which is a medical assistance program that reimburses local educational agencies for direct eligible health-related services provided to enrolled special needs students. Reimbursements are federal source revenues but are classified as fee-for-service and are not considered federal financial assistance. The amount of ACCESS funding recognized for the year ended June 30, 2021 was \$17,601.

### (5) INDIRECT COSTS

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

# PHOENIXVILLE AREA SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended June 30, 2021

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### Finding 2020-01

#### Internal Control Over Financial Reporting

#### Material Weakness

**Criteria:** Statement on auditing Standards No. 115 "*Communicating Internal Control Related Matters Identified in an Audit*" ("**SAS 115**") focuses on how the auditor communicates matters related to internal controls to the client. One area SAS 115 emphasizes is internal control over financial reporting.

**Condition:** Our audit procedures identified material misstatements such that we concluded that the District was unable to present its accounting records in accordance with generally accepted accounting principles. As a result, we proposed and management recorded journal entries to correct the misstatements that had a material effect on the District's accounting records.

**Cause:** During the year, the Business Office experienced turnover in key finance positions.

**Effect:** Errors and/or fraud can occur and not be detected and corrected on a timely basis.

**Recommendation:** We recommend that procedures and controls are implanted in order to prepare timely and accurate financial information in accordance with generally accepted accounting principles.

**Current Status:** This finding is no longer applicable



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**Board of School Directors  
Phoenixville Area School District  
Phoenixville, Pennsylvania**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Phoenixville Area School District, Phoenixville, Pennsylvania, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Phoenixville Area School District's basic financial statements, and have issued our report thereon dated March 25, 2022. Our report includes a reference to other auditors who audited the financial statements of the Phoenixville Public Library, as described in our report on the Phoenixville Area School District's financial statements. The financial statements of the Phoenixville Public Library were not audited in accordance with *Government Auditing Standards*.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Phoenixville Area School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Phoenixville Area School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Phoenixville Area School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Phoenixville Area School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***Phoenixville Area School District's Response to Finding***

The Phoenixville Area School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Phoenixville Area School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**BBD, LLP**

**Philadelphia, Pennsylvania  
March 25, 2022**



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

**Board of School Directors  
Phoenixville Area School District  
Phoenixville, Pennsylvania**

***Report on Compliance for Each Major Federal Program***

We have audited Phoenixville Area School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Phoenixville Area School District's major federal programs for the year ended June 30, 2021. Phoenixville Area School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Phoenixville Area School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("**Uniform Guidance**"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Phoenixville Area School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Phoenixville Area School District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Phoenixville Area School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

### **Report on Internal Control over Compliance**

Management of Phoenixville Area School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Phoenixville Area School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Phoenixville Area School District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**BBD, LLP**

**Philadelphia, Pennsylvania  
March 25, 2022**

# PHOENIXVILLE AREA SCHOOL DISTRICT

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2021

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### SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of the Phoenixville Area School District were prepared in accordance with GAAP.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements of the Phoenixville Area School District are reported in the independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of the Phoenixville Area School District, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over the major federal award programs are reported in the independent auditor's report on compliance for each major program and on internal control over compliance required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for the Phoenixville Area School District expresses an unmodified opinion on all major federal programs.
6. There are no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a).
7. The programs tested as major programs were:
  - Child Nutrition Cluster:
    - School Breakfast Program – CFDA Number 10.553
    - National School Lunch Program – CFDA Number 10.555
    - Summer Food Program – CFDA Number 10.559
  - Education Stabilization Fund – CFDA Number 84.425
  - Coronavirus Relief Fund – CFDA Number 21.019
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. The Phoenixville Area School District did not qualify as a low-risk auditee.

### FINDINGS—FINANCIAL STATEMENT AUDIT

None

### FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS AUDIT

None