



**Downingtown Area
School District
Downingtown, Pennsylvania
Chester County**

Financial Statements
Year Ended June 30, 2021



1835 Market Street, 3rd Floor
Philadelphia, PA 19103

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DOWNINGTOWN AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

	Governmental Activities			
	Total Cost of Services		Net Cost of Services	
	2021	2020	2021	2020
Expenses - Governmental Activities				
Instruction	\$ 154,383,498	\$ 136,523,740	\$ 126,234,051	\$ 111,178,605
Instructional student support	20,915,249	17,329,533	18,299,783	14,924,518
Administrative and financial support	21,126,146	19,392,742	19,024,142	17,401,325
Operation and maintenance of plant services	19,106,352	16,371,336	17,440,069	14,453,129
Pupil transportation	10,631,130	10,776,949	6,519,290	7,107,053
Student activities	3,462,111	3,673,941	1,654,079	1,467,103
Community services	14,689	66,670	14,689	66,670
Interest and amortization expense related to noncurrent liabilities	6,029,936	6,206,228	541,954	710,935
Unallocated depreciation expense	14,866,328	13,600,414	14,866,328	13,600,414
TOTAL EXPENSES	\$ 250,535,439	\$ 223,941,553	204,594,385	180,909,752
Less: Grants, subsidies and contributions not restricted			(19,196,694)	(19,167,645)
AMOUNT NEEDED TO BE FUNDED BY OTHER REVENUE SOURCES			\$ 185,397,691	\$ 161,742,107

The following table reflects condensed financial activities of the food service program, the only business-type activity of the District. The negative net cost of services in 2021 increases net position.

	Business-Type Activities			
	Total Cost of Services		Net Cost of Services	
	2021	2020	2021	2020
Expenses - Business-Type Activities				
Food Services	\$ 2,832,906	\$ 3,384,244	\$ (552,522)	\$ 14,652

FINANCIAL ANALYSIS OF THE DISTRICT – GOVERNMENTAL FUNDS

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 \$19,676,557 representing an increase of \$897,075 from the prior year. The increase in the District's General Fund fund balance is a result of revenues over expenditures of \$8,289,038, reduced by other net financing uses of \$7,391,963, primarily for transfers to the Capital Projects Fund. 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.

At June 30, 2021, the District reported an unassigned fund balance of \$19,526,889. The unassigned fund balance represents 8% of the 2021-2022 General Fund budgeted expenditures which is in accordance with guidelines prescribed by the Pennsylvania Department of Education.

General Fund Revenues

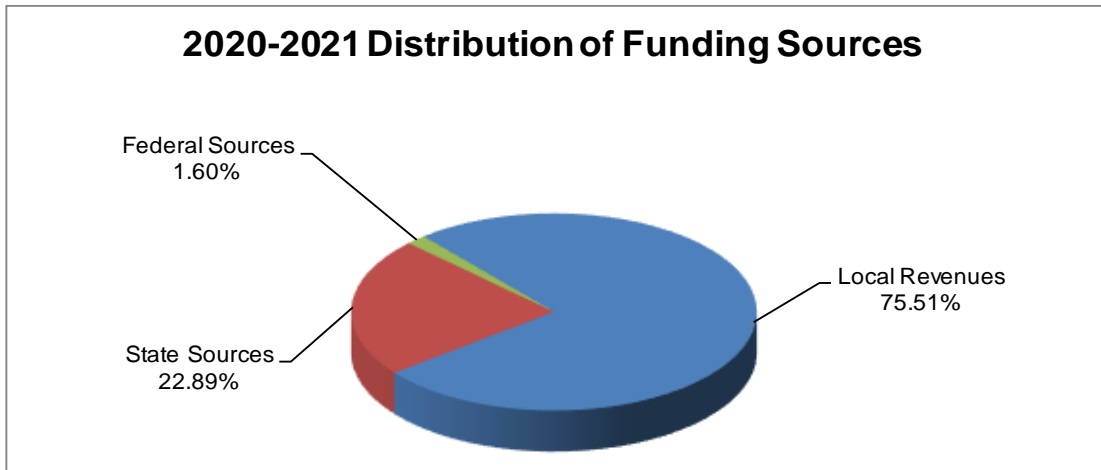
General Fund revenues, which totaled \$235,653,679, increased \$7,236,142 or 3.17% over prior year revenues. The following table reflects a comparison of current year revenues to prior year revenues and 2020-2021 budgeted amounts as follows:

DOWNINGTOWN AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

	<u>Revenue 2021</u>	<u>% of Total</u>	<u>Increase (Decrease) From 2020</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Local sources	\$ 177,935,546	75.51%	\$ 5,261,477	\$ 8,388,226
State sources	53,930,959	22.89%	1,492,972	1,322,036
Federal sources	<u>3,787,174</u>	<u>1.60%</u>	<u>481,693</u>	<u>(423,208)</u>
TOTAL REVENUES	<u>\$ 235,653,679</u>	<u>100.00%</u>	<u>\$ 7,236,142</u>	<u>\$ 9,287,054</u>



Revenue from local sources primarily includes revenue from real estate taxes levied by the District. The increase over prior year is primarily driven by an increase in real estate taxes from interim tax billings during the year, an increase in real estate transfer tax revenue, and an increase in earned income tax revenue. The state source revenue increase over the prior year is primarily due to an increase in the PSERS reimbursement for increased employer contributions due to higher personnel costs and a higher PSERS rate. The District also received a higher transportation subsidy which contributed to the increase in state revenue. The federal source revenue increase over the prior year is primarily due to additional Federal grants related to COVID pandemic relief.

Local revenues were budgeted to decrease due to the pandemic, however real estate and earned income taxes remained strong throughout the year and exceeded budget expectations causing a positive final budget variance. The positive final budget variance in state revenue was primarily caused by higher than budgeted transportation subsidy and PSERS subsidy. The negative final budget variance in federal revenue was due to less COVID relief grant revenue recognized in 2020-2021 than budgeted. The additional COVID relief grant revenue not recognized in 2020-2021 will be recognized in 2021-2022 as it is spent.

General Fund Expenditures and Other Financing Uses

General Fund expenditures including net other financing uses, which total \$234,756,604, increased \$6,924,813 over the 2019-2020 expenditures. Expenditures excluding net other financing uses were under final budget (positive variance) by a combined \$4,893,297, and net other financing uses were over final budget (negative variance) by \$7,210,762 for a net total of \$2,317,465 negative variance with final budget.

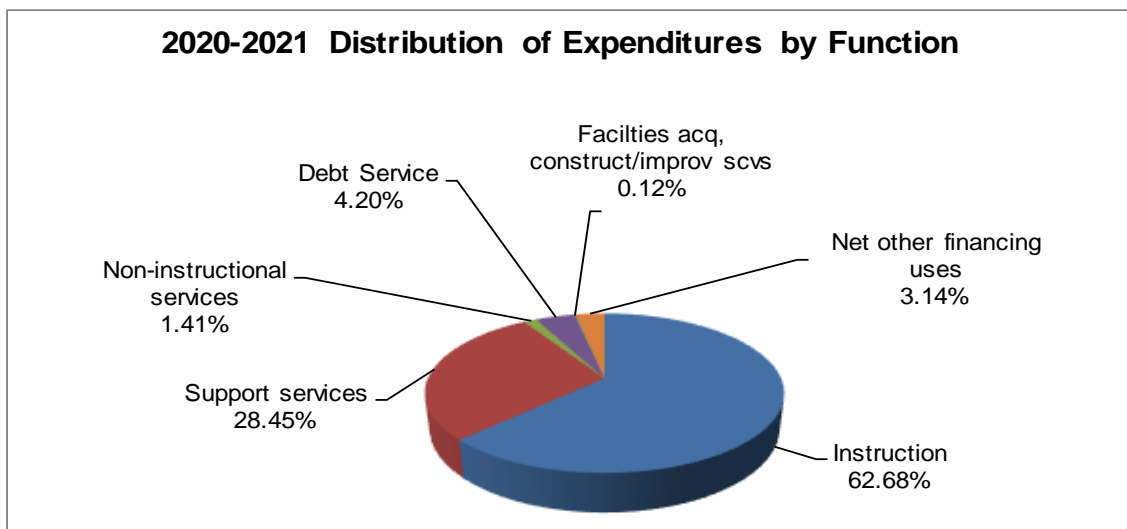
The expenditures are segregated into various programs depending on the functions of the activity. The expenditures for each program are compared to the prior year expenditures, and the 2020-2021 final budget amounts as follows:

DOWNINGTOWN AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

	<u>Expenditures</u> <u>2021</u>	<u>% of</u> <u>Total</u>	<u>Increase</u> <u>(Decrease)</u> <u>From 2020</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
Instruction	\$ 147,133,789	62.68%	\$ 8,517,518	\$ 767,346
Support services	66,798,832	28.45%	2,807,853	3,350,536
Non-instructional services	3,303,190	1.41%	(438,166)	772,566
Facilities acq, construct/improv scvs	277,151	0.12%	(55,231)	2,849
Debt service	9,851,679	4.20%	4,915	-
Net other financing uses	7,391,963	3.14%	(3,912,076)	(7,210,762)
TOTAL EXPENDITURES	<u>\$ 234,756,604</u>	<u>100.00%</u>	<u>\$ 6,924,813</u>	<u>\$ (2,317,465)</u>



The increase in the instruction and support services expenses is primarily due to increases in employee salary and PERS costs, and an increase in healthcare costs. The decrease in non-instructional services expense is primarily due to lower extra-curricular activity expenses due to COVID pandemic related restrictions. The decrease in net other financing uses compared to the prior year is primarily due to a decrease in the amount transferred out of the General Fund into the Capital Projects Fund.

The positive final budget variances for instruction, support services, and non-instructional services were primarily caused by unanticipated lower operating costs from schools not being fully operational during the beginning of the year due to the continued effects of the COVID pandemic. The net other financing uses negative final budget variance was primarily due to a \$7,646,256 unbudgeted transfer of General Fund surplus to the Capital Projects Fund.

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. At June 30, 2021, the District reported a fund balance of \$113,682,769, which is a decrease over the prior year of \$8,492,578. The change was due to \$18,573,151 in expenditures of which \$10,607,993 was for the remaining construction costs of the new Uwchlan Hills Elementary School and additions to the STEM Academy. The balance of the expenditures in the Capital Projects Fund were spent throughout the District for facilities improvements, technology equipment, and curriculum items. These expenditures were funded with a \$7,646,256 transfer in from the General Fund along with interest income, Federal grant and other revenue totaling \$2,434,317. The total Capital Projects Fund fund balance as of June 30, 2021 is committed for future capital expenditures.

DOWNINGTOWN AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

DEBT SERVICE FUND

The Debt Service Fund accounts for funds committed for the payment of a portion of the District's debt service on outstanding bonds. During 2020-2021, the Debt Service Fund fund balance decreased by \$5,528,165 due to debt service payments of \$6,564,077, offset by \$1,035,912 of investment income. At June 30, 2021, the Debt Service Fund reported a fund balance of \$41,066,587 which will be used for a portion of future debt service needs.

CAPITAL ASSETS

The District's net investment in capital assets for its governmental and business-type activities as of June 30, 2021 amounted to \$308,548,233 net of accumulated depreciation. This investment in capital assets includes land, land improvements, buildings and improvements, furniture and equipment and vehicles. The total increase in the District's investment in capital assets, net of accumulated depreciation, for the current fiscal year was \$1,167,765 or 0.38%. The increase was primarily due to final construction expenses for the new Uwchlan Hills elementary school and the STEM Academy addition.

More detailed information about the District's capital assets is presented in the notes to the financial statements.

LONG-TERM DEBT AND NONCURRENT LIABILITIES

At the end of the current fiscal year, the District had total general obligation debt of \$118,327,059 consisting of \$71,120,000 in bonds payable, \$40,069,000 in qualified school construction bonds and net deferred credits of \$7,138,059. The entire amount is backed by the full faith and credit of the District. The District issues bonds to finance capital expenditures or to finance the retirement (refund) of existing debt. The District's general obligation debt decreased by a net amount of \$10,343,074 or 8.04% during the fiscal year.

The District maintains an AAA rating from Moody's and Standard and Poors.

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 as of June 30, 2021 is under the District's current debt limitation of \$514,721,621.

The District reports its allocated portion of its defined benefit unfunded benefit obligation related to its participation in PSERS. The District's allocated portion of the net pension liability totaled \$350,729,511 as of June 30, 2021. This is an actuarially determined estimate of the District's proportionate share of the unfunded cost of the PSERS pension plan obligation. The District's net pension liability allocation increased by \$61,893,689 or 21.43% 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 net OPEB liability is an actuarially determined estimate of the unfunded cost of the OPEB obligation which totaled \$16,513,999 for the single employer plan as of June 30, 2021, and \$15,414,413 for the allocated portion of the PSERS OPEB liability. The District's combined net OPEB liability increased by \$3,048,730 or 10.56% during the fiscal year.

Other noncurrent liabilities consist of the District's liability for compensated absences which totaled \$3,080,000 as of June 30, 2021. These liabilities decreased by \$864,508 or 21.92% during the fiscal year.

More detailed information about the District's long-term debt and noncurrent liabilities is presented in the notes to the financial statements.

FACTORS BEARING ON THE DISTRICT'S FUTURE

The District has identified the following factors related to the District's future:

DOWNINGTOWN AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

- The District is experiencing capacity issues at many of its schools. Decisions on how to address capacity and growth in the District will determine any future construction plans. The District's student enrollment at the beginning of 2021-2022 was 13,053, an increase of about 1% over the prior year.
- The District's bus contractors are experiencing significant shortages of bus drivers which will likely continue over the next year and possibly beyond. The bus driver shortage is nationwide. This has forced the District to implement longer bus runs and double bus runs. The continued driver shortage may result in higher costs to provide student transportation in the future.
- The District's 2021-2022 budget is \$244,086,119 and includes a 2% tax increase. This was the first tax increase in eight years. The 2021-2022 budget reflects a deficit of about \$6 million. The District anticipates tax increases will need to continue in future years to enable revenues to keep pace with expenditure growth.
- The Pennsylvania law known as Act 1 provides property tax relief for property owners. As part of this legislation, a limit is placed on the real estate tax rate percentage increase that can be levied by the District each year. The percentage limit is known as the Act 1 index. The Act 1 index for 2021-2022 is 3.0% and 3.4% for 2022-2023.
- Increases in the level of state funding that the District will receive in future years is uncertain, and is influenced by the political decisions and economic climate influencing the state budgets.
- The District's contributions to PSERS will continue to be significant over the next several years. PSERS projects the following future percentages of employee salaries that the District will need to fund:

2021-2022	34.94%
2022-2023	35.79%
2023-2024	36.38%
2024-2025	36.83%
2025-2026	37.39%

The state is expected to continue to reimburse the District for half of these contributions.

- 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 and capital spending.

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to David Matyas, Business Manager, or Michael DeAngelis, Assistant Director of Finance, Downingtown Area School District, 540 Trestle Place, Downingtown, PA 19335, www.dasd.org.

DOWNINGTOWN AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2021 with summarized comparative totals for 2020

	Governmental	Business-type	Totals	
	Activities	Activities	2021	2020
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash	\$ 135,118,726	\$ 2,002,940	\$ 137,121,666	\$ 98,861,967
Investments	41,899,135	-	41,899,135	96,157,362
Restricted assets				
Investments held by fiscal agent	23,765,192	-	23,765,192	22,773,119
Taxes receivable	3,594,991	-	3,594,991	3,199,922
Due from other governments	9,872,882	169,961	10,042,843	9,081,772
Internal balances	(18,743)	18,743	-	-
Other receivables	1,408,995	13,987	1,422,982	1,794,509
Prepaid expenses	149,668	-	149,668	314,373
Inventories	-	1,340	1,340	5,155
Total current assets	215,790,846	2,206,971	217,997,817	232,188,179
NONCURRENT ASSETS				
Capital assets, net	307,440,511	1,107,722	308,548,233	307,380,468
Total assets	523,231,357	3,314,693	526,546,050	539,568,647
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges OPEB - single employer	2,329,619	-	2,329,619	1,578,565
Deferred charges on proportionate share of OPEB - PSERS	4,296,185	4,937	4,301,122	2,388,466
Deferred charges on proportionate share of pension - PSERS	93,650,027	107,615	93,757,642	56,587,285
Total deferred outflows of resources	100,275,831	112,552	100,388,383	60,554,316
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
CURRENT LIABILITIES				
Accounts payable	7,704,127	191,121	7,895,248	12,665,115
Accrued salaries, payroll withholdings and benefits	30,212,106	-	30,212,106	27,178,830
Accrued interest payable	1,178,266	-	1,178,266	1,221,014
Bonds and notes payable - due within one year	10,698,074	-	10,698,074	10,343,073
Unearned revenue	732,027	239,277	971,304	744,054
Total current liabilities	50,524,600	430,398	50,954,998	52,152,086
NONCURRENT LIABILITIES				
Bonds and notes payable - due in more than one year	107,628,985	-	107,628,985	118,327,060
Compensated absences	3,058,400	21,600	3,080,000	3,944,508
OPEB liability - single employer	16,513,999	-	16,513,999	15,748,559
Net OPEB liability - PSERS	15,396,720	17,693	15,414,413	13,131,123
Net pension liability - PSERS	350,326,945	402,566	350,729,511	288,835,822
Total noncurrent liabilities	492,925,049	441,859	493,366,908	439,987,072
Total liabilities	543,449,649	872,257	544,321,906	492,139,158
DEFERRED INFLOWS OF RESOURCES				
Deferred credits OPEB - single employer	1,875,610	-	1,875,610	965,075
Deferred credits on proportionate share of OPEB - PSERS	2,052,641	2,359	2,055,000	2,451,000
Deferred credits on proportionate share of pension - PSERS	35,216,532	40,468	35,257,000	50,677,000
Total deferred inflows of resources	39,144,783	42,827	39,187,610	54,093,075
NET POSITION				
Net investment in capital assets	192,521,249	1,107,722	193,628,971	187,596,287
Restricted for debt service	23,765,192	-	23,765,192	22,773,119
Unrestricted (deficit)	(175,373,685)	1,404,439	(173,969,246)	(156,478,676)
Total net position	\$ 40,912,756	\$ 2,512,161	\$ 43,424,917	\$ 53,890,730

See accompanying notes

DOWNINGTOWN 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			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals	
							2021	2020
GOVERNMENTAL ACTIVITIES								
Instruction	\$ 154,383,498	\$ 94,697	\$ 26,772,406	\$ 1,282,344	\$ (126,234,051)	\$ -	\$ (126,234,051)	\$ (111,178,605)
Instructional student support	20,915,249	-	2,615,466	-	(18,299,783)	-	(18,299,783)	(14,924,518)
Administrative and financial support services	21,126,146	-	2,102,004	-	(19,024,142)	-	(19,024,142)	(17,401,325)
Operation and maintenance of plant services	19,106,352	137,389	1,528,894	-	(17,440,069)	-	(17,440,069)	(14,453,129)
Pupil transportation	10,631,130	-	4,111,840	-	(6,519,290)	-	(6,519,290)	(7,107,053)
Student activities	3,462,111	1,434,586	373,446	-	(1,654,079)	-	(1,654,079)	(1,467,103)
Community services	14,689	-	-	-	(14,689)	-	(14,689)	(66,670)
Interest and amortization expense related to noncurrent liabilities	6,029,936	-	5,487,982	-	(541,954)	-	(541,954)	(710,935)
Unallocated depreciation	14,866,328	-	-	-	(14,866,328)	-	(14,866,328)	(13,600,414)
Total governmental activities	<u>250,535,439</u>	<u>1,666,672</u>	<u>42,992,038</u>	<u>1,282,344</u>	<u>(204,594,385)</u>	<u>-</u>	<u>(204,594,385)</u>	<u>(180,909,752)</u>
BUSINESS-TYPE ACTIVITIES								
Food service	2,832,906	19,836	3,078,445	287,147	-	552,522	552,522	(14,652)
Total primary government	<u>\$ 253,368,345</u>	<u>\$ 1,686,508</u>	<u>\$ 46,070,483</u>	<u>\$ 1,569,491</u>	<u>(204,594,385)</u>	<u>552,522</u>	<u>(204,041,863)</u>	<u>(180,924,404)</u>
GENERAL REVENUES								
Property taxes levied for general purposes					148,963,522	-	148,963,522	146,833,321
Other taxes levied for general purposes					24,756,463	-	24,756,463	20,181,229
Grants and entitlements not restricted to specific programs					19,196,694	-	19,196,694	19,167,645
Investment earnings					(24,307)	9,236	(15,071)	7,064,562
Miscellaneous income					527,095	-	527,095	265,245
Gain on sale of capital assets					147,347	-	147,347	278,041
TRANSFERS					-	-	-	-
Total general revenues and transfers					<u>193,566,814</u>	<u>9,236</u>	<u>193,576,050</u>	<u>193,790,043</u>
CHANGE IN NET POSITION					(11,027,571)	561,758	(10,465,813)	12,865,639
NET POSITION								
Beginning of year					51,940,327	1,950,403	53,890,730	41,025,091
End of year					<u>\$ 40,912,756</u>	<u>\$ 2,512,161</u>	<u>\$ 43,424,917</u>	<u>\$ 53,890,730</u>

See accompanying notes

DOWNINGTOWN AREA SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2021 with summarized comparative totals for 2020

	General Fund	Capital Projects Fund	Debt Service Fund	Totals	
				2021	2020
ASSETS					
Cash	\$ 45,908,352	\$ 71,909,379	\$ 17,300,995	\$ 135,118,726	\$ 97,890,129
Investments	6,869,180	35,029,955	-	41,899,135	95,357,362
Restricted assets:					
Cash held by fiscal agent	-	-	-	-	-
Investments held by fiscal agent	-	-	23,765,192	23,765,192	22,773,119
Taxes receivable	3,594,991	-	-	3,594,991	3,199,922
Due from other funds	3,661	7,646,256	400	7,650,317	11,731,221
Due from other governments	8,675,130	1,197,752	-	9,872,882	9,013,192
Other receivables	1,399,180	9,815	-	1,408,995	1,791,492
Prepaid items	149,668	-	-	149,668	314,373
Total assets	\$ 66,600,162	\$ 115,793,157	\$ 41,066,587	\$ 223,459,906	\$ 242,070,810
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 5,593,739	\$ 2,110,388	\$ -	\$ 7,704,127	\$ 12,487,146
Due to other funds	7,669,060	-	-	7,669,060	11,751,179
Accrued salaries, payroll withholdings and benefits	30,212,106	-	-	30,212,106	27,178,830
Unearned revenue	732,027	-	-	732,027	517,067
Total liabilities	44,206,932	2,110,388	-	46,317,320	51,934,222
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues - property taxes	2,716,673	-	-	2,716,673	2,587,007
FUND BALANCES					
Nonspendable					
Prepaid expenditures	149,668	-	-	149,668	314,373
Restricted for					
Debt service	-	-	23,765,192	23,765,192	22,773,119
Committed to					
Capital projects	-	113,682,769	-	113,682,769	122,175,347
Debt service	-	-	17,301,395	17,301,395	23,821,633
Unassigned	19,526,889	-	-	19,526,889	18,465,109
Total fund balances	19,676,557	113,682,769	41,066,587	174,425,913	187,549,581
Total liabilities, deferred inflows of resources and fund balances	\$ 66,600,162	\$ 115,793,157	\$ 41,066,587	\$ 223,459,906	\$ 242,070,810

See accompanying notes

DOWNINGTOWN AREA SCHOOL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO NET POSITION OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION

June 30, 2021

TOTAL GOVERNMENTAL FUND BALANCES		\$ 174,425,913
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.</p>		
Capital assets	\$ 476,249,051	
Accumulated depreciation	<u>(168,808,540)</u>	307,440,511
<p>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.</p>		
Deferred outflows of resources - pension and OPEB	100,275,831	
Deferred inflows of resources - pension and OPEB	<u>(39,144,783)</u>	61,131,048
<p>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.</p>		
		2,716,673
<p>Noncurrent liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds balance sheet.</p>		
Bonds and notes payable	(118,327,059)	
Compensated absences	(3,058,400)	
OPEB liability - single employer	(16,513,999)	
Net OPEB liability - PSERS	(15,396,720)	
Net pension liability - PSERS	<u>(350,326,945)</u>	(503,623,123)
<p>Accrued interest payable on long-term liabilities is included in the statement of net position, but is excluded from the governmental funds balance sheet until due and payable.</p>		
		<u>(1,178,266)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 40,912,756</u>

See accompanying notes

DOWNINGTOWN 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	Debt Service Fund	Totals	
				2021	2020
REVENUES					
Local sources	\$ 177,935,546	\$ 808,177	\$ 1,035,912	\$ 179,779,635	\$ 180,252,626
State sources	53,930,959	-	-	53,930,959	52,437,987
Federal sources	3,787,174	1,282,344	-	5,069,518	3,305,481
Total revenues	<u>235,653,679</u>	<u>2,090,521</u>	<u>1,035,912</u>	<u>238,780,112</u>	<u>235,996,094</u>
EXPENDITURES					
Current					
Instruction	147,133,789	5,586,326	-	152,720,115	142,303,295
Support services	66,798,832	96,202	-	66,895,034	64,426,756
Operation of noninstructional services	3,303,190	7,155	-	3,310,345	3,811,282
Facilities acquisition, construction and improvement services	277,151	12,883,468	-	13,160,619	36,357,722
Debt service	9,851,679	-	6,564,077	16,415,756	16,442,900
Total expenditures	<u>227,364,641</u>	<u>18,573,151</u>	<u>6,564,077</u>	<u>252,501,869</u>	<u>263,341,955</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>8,289,038</u>	<u>(16,482,630)</u>	<u>(5,528,165)</u>	<u>(13,721,757)</u>	<u>(27,345,861)</u>
OTHER FINANCING SOURCES (USES)					
Sale of/compensation for capital assets	147,347	-	-	147,347	278,039
Refund of prior year expenditures	112,750	343,796	-	456,546	181,774
Refund of prior year revenues	(5,804)	-	-	(5,804)	(285)
Transfers in (reimbursement)	-	7,646,256	-	7,646,256	9,371,895
Transfers in (non-reimbursement)	-	-	-	-	2,327,268
Transfers out (reimbursement)	(7,646,256)	-	-	(7,646,256)	(9,371,895)
Transfers out (non-reimbursement)	-	-	-	-	(2,327,268)
Total other financing sources (uses)	<u>(7,391,963)</u>	<u>7,990,052</u>	<u>-</u>	<u>598,089</u>	<u>459,528</u>
NET CHANGE IN FUND BALANCES	897,075	(8,492,578)	(5,528,165)	(13,123,668)	(26,886,333)
FUND BALANCES					
Beginning of year	18,779,482	122,175,347	46,594,752	187,549,581	214,435,914
End of year	<u>\$ 19,676,557</u>	<u>\$ 113,682,769</u>	<u>\$ 41,066,587</u>	<u>\$ 174,425,913</u>	<u>\$ 187,549,581</u>

See accompanying notes

DOWNINGTOWN AREA SCHOOL DISTRICT

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

Year ended June 30, 2021

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (13,123,668)

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 capital outlays exceeded depreciation expense and the net book value of disposed of capital assets in the current period.

Capital outlay expenditures	\$ 18,427,997	
Net book value of disposed of capital assets	(2,644,515)	
Depreciation expense	<u>(14,866,328)</u>	917,154

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	(2,587,007)	
Deferred inflows of resources June 30, 2021	<u>2,716,673</u>	129,666

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 payable	9,160,000	
Amortization of bond premiums and discounts	<u>1,183,074</u>	10,343,074

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	42,748	
Current year change in compensated absences	864,553	
Current year change in net pension liability - PSERS and deferred outflows and inflows	(9,301,122)	
Current year change in OPEB liability - single employer and deferred outflows and inflows	(924,921)	
Current year change in net OPEB liability - PSERS and deferred outflows and inflows	<u>24,945</u>	<u>(9,293,797)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (11,027,571)

See accompanying notes

DOWNINGTOWN AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUND

June 30, 2021 with summarized comparative totals for 2020

	<u>Major Fund</u>	
	<u>Food Service Fund</u>	
	<u>2021</u>	<u>2020</u>
ASSETS AND DEFERRED OUTFLOW OF RESOURCES		
CURRENT ASSETS		
Cash	\$ 2,002,940	\$ 971,838
Investments	-	800,000
Due from other funds	22,404	22,872
Due from other governments	169,961	68,580
Other receivables	13,987	3,017
Inventories	1,340	5,155
Total current assets	<u>2,210,632</u>	<u>1,871,462</u>
NONCURRENT ASSETS		
Capital assets, net	<u>1,107,722</u>	<u>857,111</u>
Total assets	<u>3,318,354</u>	<u>2,728,573</u>
DEFERRED OUTFLOW OF RESOURCES		
Deferred charges on proportionate share of pension - PSERS	107,615	66,644
Deferred charges on proportionate share of OPEB - PSERS	<u>4,937</u>	<u>2,813</u>
Total deferred outflows of resources	<u>112,552</u>	<u>69,457</u>
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION		
LIABILITIES		
Accounts payable	191,121	177,969
Due to other funds	3,661	2,914
Unearned revenue	<u>239,277</u>	<u>226,987</u>
Total current liabilities	<u>434,059</u>	<u>407,870</u>
NONCURRENT LIABILITIES		
Accrued compensated absences	21,600	21,555
Net OPEB liability - PSERS	17,693	15,465
Net pension liability - PSERS	<u>402,566</u>	<u>340,167</u>
Total noncurrent liabilities	<u>441,859</u>	<u>377,187</u>
Total liabilities	<u>875,918</u>	<u>785,057</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred credits on proportionate share of pension - PSERS	40,468	59,683
Deferred credits on proportionate share of OPEB - PSERS	<u>2,359</u>	<u>2,887</u>
Total deferred inflows of resources	<u>42,827</u>	<u>62,570</u>
NET POSITION		
Net investment in capital assets	1,107,722	857,111
Unrestricted	<u>1,404,439</u>	<u>1,093,292</u>
Total net position	<u>\$ 2,512,161</u>	<u>\$ 1,950,403</u>

See accompanying notes

DOWNINGTOWN AREA SCHOOL DISTRICT

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

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

	<u>Major Fund</u>	
	<u>Food Service Fund</u>	
	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Charges for services	\$ 19,836	\$ 2,626,498
OPERATING EXPENSES		
Salaries	121,440	117,533
Employee benefits	97,998	108,023
Purchased services - food management	1,352,956	1,608,439
Purchased property services	57,147	84,144
Other purchased services	37,637	40,277
Supplies - food costs	1,006,749	1,235,824
Depreciation	147,238	125,351
Other	11,741	64,653
Total operating expenses	<u>2,832,906</u>	<u>3,384,244</u>
Operating loss	<u>(2,813,070)</u>	<u>(757,746)</u>
NONOPERATING REVENUES		
Earnings on investments	9,236	28,115
Local sources	-	1,344
State sources	133,939	70,237
Federal sources	2,944,506	672,857
Total nonoperating revenues	<u>3,087,681</u>	<u>772,553</u>
Change in net position before capital contribution	274,611	14,807
Capital contribution	<u>287,147</u>	<u>-</u>
CHANGE IN NET POSITION	561,758	14,807
NET POSITION		
Beginning of year	<u>1,950,403</u>	<u>1,935,596</u>
End of year	<u>\$ 2,512,161</u>	<u>\$ 1,950,403</u>

See accompanying notes

DOWNINGTOWN AREA SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

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

	Major Fund	
	Food Service Fund	
	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from charges for services	\$ 21,156	\$ 2,741,533
Cash payments to employees for services	(217,604)	(215,686)
Cash payments to suppliers for goods and services	(2,268,224)	(2,910,441)
Cash payments for other operating expenses	(11,741)	(64,653)
Net cash used for operating activities	<u>(2,476,413)</u>	<u>(449,247)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State sources	133,940	70,237
Federal sources	2,675,041	572,636
Local sources	-	1,344
Net cash provided by noncapital financing activities	<u>2,808,981</u>	<u>644,217</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(110,702)	(30,112)
CASH FLOWS FROM INVESTING ACTIVITIES		
Earnings on investments	9,236	28,115
Proceeds from sale of investments	800,000	-
Net cash provided by investing activities	<u>809,236</u>	<u>28,115</u>
Net increase in cash	1,031,102	192,973
CASH		
Beginning of year	971,838	778,865
Ending of year	<u>\$ 2,002,940</u>	<u>\$ 971,838</u>
Reconciliation of operating loss to net cash provided by (used for) operating activities:		
Operating loss	\$ (2,813,070)	\$ (757,746)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities		
Depreciation	147,238	125,351
Donated commodities used	168,083	111,259
(Increase) decrease in		
Due from other funds	468	12,665
Other receivables	(10,970)	46,164
Inventories	3,815	(1,762)
Deferred outflows of resources	(43,095)	11,899
Increase (decrease) in		
Accounts payable	13,152	(65,379)
Due to other funds	747	1,460
Unearned revenue	12,290	68,871
Accrued compensated absences	45	1,193
Net OPEB liability	2,228	(1,793)
Net pension liability	62,399	(57,195)
Deferred inflows of resources	(19,743)	55,766
Net cash used for operating activities	<u>\$ (2,476,413)</u>	<u>\$ (449,247)</u>
SUPPLEMENTAL DISCLOSURE		
Noncash noncapital financing activity		
USDA donated commodities	<u>\$ 168,083</u>	<u>\$ 111,259</u>
Noncash capital and related financing activity		
Capital contribution	<u>\$ 287,147</u>	<u>\$ -</u>

See accompanying notes

DOWNINGTOWN AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION - FIDUCIARY FUNDS

June 30, 2021 with summarized comparative totals for 2020

	Private Purpose Trust	Custodial Fund	Totals	
			2021	2020
ASSETS				
Cash	\$ 23,768	\$ 599,752	\$ 623,520	\$ 667,725
LIABILITIES				
Accounts payable	-	-	-	2,876
NET POSITION				
Restricted for				
Scholarships	23,768	-	23,768	20,887
Student activities	-	599,752	599,752	643,962
Total net position	<u>\$ 23,768</u>	<u>\$ 599,752</u>	<u>\$ 623,520</u>	<u>\$ 664,849</u>

See accompanying notes

DOWNINGTOWN AREA SCHOOL DISTRICT

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS

Year ended June 30, 2021

	Private- Purpose Trust Fund	Custodial Fund	Total
ADDITIONS			
Receipts from student groups	\$ -	\$ 234,751	\$ 234,751
Local contributions	<u>8,129</u>	<u>-</u>	<u>8,129</u>
Total additions	<u>8,129</u>	<u>234,751</u>	<u>242,880</u>
DEDUCTIONS			
Scholarships awarded and fees paid	5,248	-	5,248
Student activity disbursements	<u>-</u>	<u>278,961</u>	<u>278,961</u>
Total deductions	<u>5,248</u>	<u>278,961</u>	<u>284,209</u>
CHANGE IN NET POSITION	2,881	(44,210)	(41,329)
NET POSITION			
Beginning of year	<u>20,887</u>	<u>643,962</u>	<u>664,849</u>
End of year	<u>\$ 23,768</u>	<u>\$ 599,752</u>	<u>\$ 623,520</u>

See accompanying notes

DOWNINGTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Downingtown Area School District (the "**District**") operates ten elementary schools, three middle schools and three high schools to provide education and related services to the residents of the Borough of Downingtown and the Townships of East Brandywine, East Cain, Upper Uwchlan, Uwchlan, Wallace, West Bradford and West Pikeland. 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. The District is considered to be an independent reporting entity and has no component units.

Basis of Presentation

Government-Wide Financial Statements

The statement of net position 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.

The government-wide statement of net position 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 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 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.

DOWNINGTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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.

The Debt Service Fund is used to account for financial resources committed or restricted for the payment of long-term debt principal, interest and other related costs.

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.

DOWNINGTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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.

These funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the 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 government units and are, therefore, not available to support the District's own programs. The District has one custodial fund 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.

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.

Fair Value Measurements of Assets and Liabilities

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the District. Unobservable inputs reflect the District's assumptions about the inputs market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

DOWNINGTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the District has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not require a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable, that is, inputs that reflect the District's own assumptions.

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
January 15	- Lien date

The County Board of Assessments determines assessed valuations of property and the District's taxes are billed and collected by a third party tax collector. The tax on real estate for public school purposes for fiscal 2020-2021 was 27.182 mills (\$27.18 for \$1,000 of assessed valuation) for Chester County. 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 four installments. These installments have the following due dates:

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

The discount (two percent) is not applicable to installment payments; however, the penalty (10 percent) will be added if the second, third and fourth 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.

DOWNINGTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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.

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 – 15-50 years, land improvements – 15-40 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 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.

Sick Leave

Employees that retire under the Pennsylvania School Employees Retirement System ("**PSERS**") are paid at per diem rates ranging from \$45 to \$55 for each unused sick leave day.

Accrued Severance

Administrative personnel that retire under PSERS are eligible to receive a lump sum severance payment at retirement. The payment is based on a formula as follows: 1.5% multiplied by years of service multiplied by highest salary.

Vacation and Personal Days

District employees that work on a twelve month schedule are credited with vacation and personal days at rates which vary with length of service and job classification.

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.

DOWNINGTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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.

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.

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 Chief Financial Officer 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.

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.

DOWNINGTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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.

DOWNINGTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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.

DOWNINGTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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 (PPPs). 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 (SBITAs) 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 make available for public inspection within 20 days of final adoption the proposed budget. Public notice of the intent to adopt the final budget is required to be done 10 days prior to the adoption date.

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.

(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.

DOWNINGTOWN 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 \$137,745,186 and the bank balance was \$140,720,938. 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, \$1,651,238 was covered by federal depository insurance, and \$96,108,015 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**"). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PSDLAF acts like a money market mutual fund in that its objective is to maintain a stable net asset value of \$1 per share, and is rated by a nationally recognized statistical rating organization and is subject to an independent annual audit. As of June 30, 2021, PSDLAF was rated as AAA by a nationally recognized statistical rating agency.

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.

As of June 30, 2021, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>			
		<u>Less than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>11 – 15</u>
Certificates of deposit	\$41,899,136	\$41,899,136	\$ -	\$ -	\$ -
U.S. Treasury strips	<u>23,765,192</u>	<u>-</u>	<u>-</u>	<u>23,765,192</u>	<u>-</u>
	<u>\$65,664,328</u>	<u>\$41,899,136</u>	<u>\$ -</u>	<u>\$23,765,192</u>	<u>\$ -</u>

PSDLAF collateralized investment pools are fully collateralized by U.S. government agency and treasury obligations and certificates of deposit. PSDLAF collateralized investment pools and U.S. Treasury strips were valued using Level 2 inputs.

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 its investments or collateral that is in the possession of an outside party. The collateral for all of the District's investments are held by the pledging bank's agent in the District's name. The District had no investments 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 or state government to those with the highest credit rating available for such investments issued by a recognized statistical rating organization.

DOWNINGTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Restricted Deposits and Investments

The District maintains restricted cash and investment balances held by fiscal agents, which are restricted for the repayment of Qualified School Construction Bonds (**See Note 7**). The total carrying amounts and related bank balances of these cash and investment accounts are \$23,765,192 as of June 30, 2021, which are invested in U.S. Treasury securities.

(4) PROPERTY TAXES

Taxes receivable consisted of the following as of June 30, 2021:

Real estate taxes	\$3,033,130
Real estate transfer taxes	431,947
Earned income taxes	129,044
Local services tax	870
	<u>\$3,594,991</u>

A detailed analysis of current year property tax revenues for the year ended June 30, 2021 are as follows:

Assessed value, July 1, 2020	\$5,630,516,706
Millage rate	<u>0.027182</u>
Gross property tax levy	153,048,705
Add:	
Penalties paid	6,022
Less:	
Discounts	(2,712,393)
Assessment changes and exonerations	(1,911,838)
Property tax relief allocation	(3,983,275)
Taxes uncollected at December 31, 2020 and lien	<u>(2,157,620)</u>
	<u>\$ 142,289,601</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>
Capital Projects Fund	\$7,646,256	General Fund	\$7,646,256
Food Service Fund	22,404	General Fund	22,404
Debt Service Fund	400	General Fund	400
General Fund	<u>3,661</u>	Food Service Fund	<u>3,661</u>
	<u>\$7,672,721</u>		<u>\$7,672,721</u>

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

DOWNINGTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

A summary of interfund transfers for the year ended June 30, 2021 is as follows:

<u>Transfers In</u>	<u>Amount</u>	<u>Transfers Out</u>	<u>Amount</u>
Capital Projects Fund (reimbursement for technology)	\$5,104,167	General Fund (reimbursement for technology)	\$5,104,167
Capital Projects Fund (reimbursement for facilities)	2,317,867	General Fund (reimbursement for facilities)	2,317,867
Capital Projects Fund (reimbursement for curriculum/ other)	<u>224,222</u>	General Fund (reimbursement for curriculum/ other)	<u>224,222</u>
	<u>\$7,646,256</u>		<u>\$7,646,256</u>

Transfers from General Fund and Capital Projects Fund represents transfers to subsidize costs associated with the acquisition of capital assets.

(6) 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>
Governmental activities				
Capital assets not being depreciated				
Construction in progress	\$ 38,405,203	\$ 18,365,479	\$ 55,403,001	\$ 1,367,681
Land	<u>44,624,718</u>	<u>-</u>	<u>-</u>	<u>44,624,718</u>
Total capital assets not being depreciated	<u>83,029,921</u>	<u>18,365,479</u>	<u>55,403,001</u>	<u>45,992,399</u>
Capital assets being depreciated				
Buildings and improvements	339,003,780	46,662,959	5,576,560	380,090,179
Land improvements	20,276,473	100,314	125,364	20,251,423
Furniture and equipment	<u>29,453,433</u>	<u>6,057,731</u>	<u>5,596,114</u>	<u>29,915,050</u>
Total capital assets being depreciated	<u>388,733,686</u>	<u>52,821,004</u>	<u>11,298,038</u>	<u>430,256,652</u>
Less accumulated depreciation for				
Buildings and improvements	(133,658,300)	(9,585,183)	(5,576,560)	(137,666,923)
Land improvements	(15,934,341)	(724,617)	(125,364)	(16,533,594)
Furniture and equipment	<u>(15,647,609)</u>	<u>(4,556,528)</u>	<u>(5,596,114)</u>	<u>(14,608,023)</u>
Total accumulated depreciation	<u>(165,240,250)</u>	<u>(14,866,328)</u>	<u>(11,298,038)</u>	<u>(168,808,540)</u>
Total capital assets being depreciated, net	<u>223,493,436</u>	<u>37,954,676</u>	<u>-</u>	<u>261,448,112</u>
Governmental activities, net	<u>\$ 306,523,357</u>	<u>\$ 56,320,155</u>	<u>\$ 55,403,001</u>	<u>\$ 307,440,511</u>
Business-type activities				
Machinery and equipment	\$ 3,106,719	\$ 397,849	\$ 79,086	\$ 3,425,482
Less accumulated depreciation	<u>(2,249,608)</u>	<u>(147,238)</u>	<u>(79,086)</u>	<u>(2,317,760)</u>
Business-type activities, net	<u>\$ 857,111</u>	<u>\$ 250,611</u>	<u>\$ -</u>	<u>\$ 1,107,722</u>

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

Governmental activities	
Unallocated	<u>\$14,866,328</u>
Business-type activities	
Food service	<u>\$ 147,238</u>

As of June 30, 2021, the District had outstanding construction commitments totaling \$1,883,622 for various renovations to District buildings.

DOWNTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

(7) LONG-TERM DEBT

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 resources. 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>
General obligation bonds				
Series of 2017	0.75% - 5.00%	\$16,910,000	11/01/2029	\$ 15,995,000
Series of 2018A	2.00% - 5.00%	\$14,635,000	08/01/2029	12,005,000
Series of 2018B	2.00% - 5.00%	\$32,620,000	08/01/2022	16,845,000
Series of 2018C	2.00% - 5.00%	\$26,655,000	08/01/2032	<u>26,275,000</u>
Total general obligation bonds				<u>71,120,000</u>
Qualified school construction bonds				
Series of 2010A	5.00%	\$28,303,000	09/01/2027	28,303,000
Series of 2011C	5.088%	\$11,766,000	09/01/2029	<u>11,766,000</u>
Total qualified school construction bonds				<u>40,069,000</u>
Total general obligation debt				<u>\$111,189,000</u>

Qualified School Construction Bonds

The District participates in the Qualified School Construction Bonds ("**QSCB**") program sponsored by the State Public School Building Authority ("**SPSBA**"). The SPSBA was formed by the Commonwealth of Pennsylvania for the purpose of financing the construction and improvement of public school facilities under the jurisdiction of the Pennsylvania Department of Education. The QSCB program was created by the American Recovery and Reinvestment Act ("**ARRA**") and allows schools to borrow at nominal or zero percent to fund new construction, renovation and rehabilitation of schools as well as the purchase of land and equipment. The SPSBA issues the bonds through the QSCB program and provides loans to schools for qualified projects. Under the QSCB program SPSBA receives direct interest subsidy payments from the United States Treasury which are then transferred to the borrowers as reimbursement of the interest portion of their loan payments. On October 6, 2010, the District borrowed \$28,303,000 from the SPSBA under the QSCB program. The District is required to deposit \$1,664,882 annually into a sinking fund through the maturity date of September 1, 2027. On November 1, 2011, the District borrowed \$11,766,000 from the SPSBA under the QSCB program. The District is required to deposit \$734,750 annually into a sinking fund through the maturity date of September 1, 2029. Sinking fund deposits are included as restricted assets held by fiscal agent in the accompanying financial statements.

The following summarizes the changes in general obligation debt for the year ended 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>
Governmental activities					
General obligation bonds					
Series of 2017	\$ 16,100,000	\$ -	\$ 105,000	\$ 15,995,000	\$ 85,000
Series of 2018A	12,855,000	-	850,000	12,005,000	885,000
Series of 2018B	24,855,000	-	8,010,000	16,845,000	8,350,000
Series of 2018C	26,470,000	-	195,000	26,275,000	195,000

DOWNINGTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Qualified school construction bonds					
Series of 2010A	28,303,000	-	-	28,303,000	-
Series of 2011C	<u>11,766,000</u>	<u>-</u>	<u>-</u>	<u>11,766,000</u>	<u>-</u>
Subtotal	120,349,000	-	9,160,000	111,189,000	9,515,000
Bond premiums	8,400,125	-	1,192,037	7,208,088	1,192,037
Bond discounts	<u>(78,992)</u>	<u>-</u>	<u>(8,963)</u>	<u>(70,029)</u>	<u>(8,963)</u>
Total general obligation debt	<u>\$128,670,133</u>	<u>\$ -</u>	<u>\$10,343,074</u>	<u>\$118,327,059</u>	<u>\$10,698,074</u>

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>Debt Sinking Fund</u>	<u>Total</u>
2022	\$ 9,515,000	\$ 3,056,351	\$ 2,399,632	\$ 14,970,983
2023	9,935,000	2,641,213	2,399,632	14,975,845
2024	3,240,000	2,364,178	2,399,632	8,003,810
2025	3,350,000	2,253,728	2,399,632	8,003,360
2026	3,485,000	2,118,240	2,399,632	8,002,872
2027-2031	66,434,000	7,378,648	(33,800,436)	40,012,212
2032-2033	<u>15,230,000</u>	<u>771,000</u>	<u>-</u>	<u>16,001,000</u>
	<u>\$111,189,000</u>	<u>\$20,583,358</u>	<u>\$(21,802,276)</u>	<u>\$109,970,082</u>

Interest maturities presented are net of the direct interest subsidy payments from the United States Treasury to reimburse interest expense on the District's Series of 2010A and 2011C QSCB bonds. The amount of the subsidy is \$1,965,689 each year through 2023, \$9,144,927 from 2024-2028 and \$897,981 from 2029-2030.

(8) NONCURRENT LIABILITIES

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

	<u>Balance July 1, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2021</u>
Governmental activities				
Compensated absences	\$ 3,922,953	\$ -	\$864,553	\$ 3,058,400
OPEB liability	15,748,559	765,440	-	16,513,999
Net OPEB liability – PSERS	13,115,658	2,281,062	-	15,396,720
Net pension liability - PSERS	<u>288,495,655</u>	<u>61,831,290</u>	<u>-</u>	<u>350,326,945</u>
Total governmental activities	<u>321,282,825</u>	<u>64,877,792</u>	<u>864,553</u>	<u>385,296,064</u>
Business-type activities				
Compensated absences	21,555	45	-	21,600
Net OPEB liability – PSERS	15,465	2,228	-	17,693
Net pension liability - PSERS	<u>340,167</u>	<u>62,399</u>	<u>-</u>	<u>402,566</u>
Total business-type activities	<u>377,187</u>	<u>64,672</u>	<u>-</u>	<u>441,859</u>
Total noncurrent liabilities	<u>\$321,660,012</u>	<u>\$64,942,464</u>	<u>\$864,553</u>	<u>\$385,737,923</u>

(9) OTHER POST-EMPLOYMENT BENEFITS

Single-Employer Defined Benefit OPEB Plan

The District's other post-employment benefits ("**OPEB**") include a single-employer defined benefit plan that provides medical, prescription, dental and vision benefits to certain retirees and their spouse. The School Board has the authority to establish and amend benefit provisions. The OPEB Plan does not issue any financial report and is not included in the report of any public employee retirement system or any other entity.

DOWNINGTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

OPEB Plan Membership

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

Active employees	1,432
Vested former participants	0
Retired participants	<u>87</u>
Total	<u>1,519</u>

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 \$16,513,999, all of which is unfunded. As of June 30, 2021, the OPEB liability of \$16,513,999 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position.

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

Balances as of July 1, 2020	<u>\$15,748,559</u>
Changes for the year:	
Service cost	1,248,865
Interest on total OPEB liability	566,237
Differences between projected and actual experience	(1,054,902)
Changes in assumptions	832,556
Benefit payments	<u>(817,316)</u>
Net changes	<u>765,440</u>
Balances as of June 30, 2021	<u>\$16,513,999</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 OPEB expense of \$1,774,797. At June 30, 2021, the District had deferred inflows of resources and deferred outflows of resources related to the OPEB plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$1,317,923
Changes of assumptions	1,479,743	557,687
Contributions subsequent to the measurement date	<u>849,876</u>	<u>-</u>
	<u>\$2,329,619</u>	<u>\$1,875,610</u>

\$849,876 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 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:

DOWNINGTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Year ended June 30,

2022	\$ (30,305)
2023	(30,305)
2024	(30,305)
2025	(30,305)
2026	(30,305)
Thereafter	<u>(244,342)</u>
	<u>\$ (395,867)</u>

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>\$14,456,032</u>	<u>\$16,513,999</u>	<u>\$18,990,802</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>\$17,797,631</u>	<u>\$16,513,999</u>	<u>\$15,295,942</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 high grade bond rate. The discount rate changed from 3.36% to 1.86%.
- Salary growth – salary increases are composed 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.
- Mortality rates were based on the RP-2014 mortality tables for males and females, adjusted to reflect experience and projected using a modified version of the MP-2015 mortality improvement scale.

Cost Sharing Multiple-Employer Defined Benefit OPEB Plan

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

DOWNINGTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Plan Description

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.

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

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

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 \$845,122 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 \$15,414,413 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 0.7134 percent, which was an increase of 0.0960 from its proportion measured as of June 30, 2019. As of June 30, 2021, the net OPEB liability of \$15,396,720 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position and the remaining \$17,693 of the net OPEB liability is recorded as a liability in the proprietary fund statement of net position, and in the business-type activities in the government-wide statement of net position.

For the year ended June 30, 2021, the District recognized OPEB expense of \$964,000. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

DOWNINGTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual experience	\$ 142,000	\$ -
Changes in assumptions	628,000	338,000
Difference between projected and actual investment earnings	27,000	-
Changes in proportions	2,659,000	1,717,000
Contributions subsequent to the measurement date	<u>845,122</u>	<u>-</u>
	<u>\$4,301,122</u>	<u>\$2,055,000</u>

\$845,122 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:

Year ended June 30.

2021	\$ 232,000
2022	228,000
2023	225,000
2024	333,000
2025	46,000
Thereafter	<u>337,000</u>
	<u>\$1,401,000</u>

Actuarial Assumptions

The OPEB liability as of June 30, 2020, was determined by rolling forward the PSERS' 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 & Poors 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.

DOWNINGTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

- 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.

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%	(1.0%)
US core fixed income	46.50%	(0.1%)
Fixed income	<u>3.20%</u>	(0.1%)
	<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 & Poors 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 health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

DOWNINGTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the OPEB liability	<u>\$15,412,436</u>	<u>\$15,414,413</u>	<u>\$15,415,989</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:

	<u>1% Decrease</u> <u>1.66%</u>	<u>Current Discount Rate</u> <u>2.66%</u>	<u>1% Increase</u> <u>3.66%</u>
District's proportionate share of the net OPEB liability	<u>\$17,574,809</u>	<u>\$15,414,413</u>	<u>\$13,625,419</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.

(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. Investments are reported at fair value.

Plan Description

PSERS is a governmental cost sharing multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in PSERS 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.

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.

DOWNINGTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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.

Contributions

Member Contributions

Active members who joined PSERS 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 PSERS 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 PSERS 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 PSERS 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 \$34,536,642 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 \$350,729,511 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 PSERS' 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 0.7123 percent, which was an increase of 0.0949 from its proportion measured as of June 30, 2019. As of June 30, 2021, the net pension liability of \$350,326,945 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position and the remaining \$402,566 of the net pension liability is recorded as a liability in the proprietary fund statement of net position, and in the business-type activities in the government-wide statement of net position.

DOWNINGTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

For the year ended June 30, 2021, the District recognized pension expense of \$43,897,000. 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>
Net difference between expected and actual experience	\$ 918,000	\$ 8,406,000
Changes in assumptions	-	-
Net difference between projected and actual investment earnings	15,414,000	-
Changes in proportions	42,889,000	26,851,000
Contributions subsequent to the measurement date	<u>34,536,642</u>	<u>-</u>
	<u>\$93,757,642</u>	<u>\$35,257,000</u>

\$34,536,642 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	\$ 4,960,000
2022	(1,470,000)
2023	15,894,000
2024	<u>4,580,000</u>
	<u>\$23,964,000</u>

Actuarial Assumptions

The total pension liability as of June 30, 2020 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.

DOWNINGTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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	15.00 %	5.20%
Private equity	15.00 %	7.20%
Fixed income	36.00 %	1.10%
Commodities	8.00 %	1.80%
Absolute return	10.00 %	2.50%
Infrastructure/MLPs	6.00 %	5.70%
Real estate	10.00 %	5.50%
Risk parity	18.00 %	3.30%
Cash	6.00 %	(1.00%)
Financing (LIBOR)	<u>(14.00)%</u>	<u>(0.70%)</u>
	<u>100.0 %</u>	

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 6.25%</u>	<u>Discount Rate 7.25%</u>	<u>1% Increase 8.25%</u>
District's proportionate share of the net pension liability	<u>\$433,926,514</u>	<u>\$350,729,511</u>	<u>\$280,250,026</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 PSERS' website at www.psers.state.pa.us.

DOWNINGTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

(11) JOINT VENTURE AND JOINTLY GOVERNED ORGANIZATION

Technical College High School Brandywine

The District and two other Chester County school districts participate in the Technical College High School Brandywine Campus ("**TCHS Brandywine**"). The TCHS Brandywine provides vocational-technical training and education to students of the participating school districts. The TCHS Brandywine is controlled by a joint Board comprised of representative school board members of the participating school districts. District oversight of the TCHS Brandywine operations is the responsibility of the joint board. The District's share of operating costs for the TCHS Brandywine fluctuates based on the District's percentage of enrollment. The District's share of operating costs for 2020-2021 was \$2,750,400.

The TCHS Brandywine 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.

(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 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.

DOWNINGTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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Healthcare

The District administers a self-insurance program to provide healthcare and related expenses for eligible employees, spouses and their dependents. Accordingly, benefit payments plus an administrative charge are made to a third party administrator, who approves and processes all claims. The District has recorded a liability in the General Fund that includes an estimate for claims incurred but not reported through June 30, 2021 as estimated by the District's third party administrator and healthcare benefit consultant.

The following table presents the self-insurance healthcare claims liability and the related changes in the claims liability for the year ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Insurance claims liability – beginning of year	\$ 4,063,329	\$ 4,604,576
Current year insurance claims and changes in estimates	16,997,181	15,306,809
Insurance claims paid	<u>(17,072,055)</u>	<u>(15,848,056)</u>
Insurance claims liability – end of year	<u>\$ 3,985,055</u>	<u>\$ 4,063,329</u>

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 \$643,962. Prior to the implementation of GASB Statement No. 84, custodial fund assets equaled liabilities and did not involve measurement of results of operations.

(15) SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 8, 2021, 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

DOWNINGTOWN AREA SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended June 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 169,547,320	\$ 169,547,320	\$ 177,935,546	\$ 8,388,226
State sources	52,608,923	52,608,923	53,930,959	1,322,036
Federal sources	2,358,703	4,210,382	3,787,174	(423,208)
Total revenues	<u>224,514,946</u>	<u>226,366,625</u>	<u>235,653,679</u>	<u>9,287,054</u>
EXPENDITURES				
Instruction				
Regular programs	102,434,338	104,810,455	104,320,237	490,218
Special programs	33,178,469	34,852,471	34,667,790	184,681
Vocational programs	6,475,265	6,575,266	6,541,729	33,537
Other instructional programs	1,576,243	1,626,243	1,597,762	28,481
Nonpublic school programs	36,700	36,700	6,271	30,429
Total instruction	<u>143,701,015</u>	<u>147,901,135</u>	<u>147,133,789</u>	<u>767,346</u>
Support services				
Pupil support services	8,853,101	9,258,591	9,215,208	43,383
Instructional staff services	5,862,613	7,682,411	7,588,577	93,834
Administrative services	12,631,129	13,382,705	13,326,182	56,523
Pupil health	3,141,540	3,141,540	3,032,396	109,144
Business services	2,246,329	2,246,329	2,161,333	84,996
Operation and maintenance of plant services	15,333,193	15,933,191	15,879,519	53,672
Student transportation services	13,397,833	13,397,833	10,602,071	2,795,762
Support services - central	4,360,269	4,862,768	4,796,419	66,349
Other support services	94,000	244,000	197,127	46,873
Total support services	<u>65,920,007</u>	<u>70,149,368</u>	<u>66,798,832</u>	<u>3,350,536</u>
Operation of noninstructional services				
Student activities	3,986,503	3,986,506	3,288,501	698,005
Community services	89,250	89,250	14,689	74,561
Total operation of noninstructional services	<u>4,075,753</u>	<u>4,075,756</u>	<u>3,303,190</u>	<u>772,566</u>
Facilities acquisition, construction and improvement services				
	280,000	280,000	277,151	2,849
Debt service				
	8,000,000	9,851,679	9,851,679	-
Total expenditures	<u>221,976,775</u>	<u>232,257,938</u>	<u>227,364,641</u>	<u>4,893,297</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,538,171</u>	<u>(5,891,313)</u>	<u>8,289,038</u>	<u>14,180,351</u>
OTHER FINANCING SOURCES (USES)				
Sale of/compensation for capital assets	200,000	200,000	147,347	(52,653)
Refund of prior year expenditures	25,000	25,000	112,750	87,750
Refund of prior year revenues	(25,000)	(25,000)	(5,804)	19,196
Transfers out (reimbursement)	-	-	(7,646,256)	(7,646,256)
Budgetary reserve	(8,810,685)	(381,201)	-	381,201
Total other financing sources (uses)	<u>(8,610,685)</u>	<u>(181,201)</u>	<u>(7,391,963)</u>	<u>(7,210,762)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (6,072,514)</u>	<u>\$ (6,072,514)</u>	<u>897,075</u>	<u>\$ 6,969,589</u>
FUND BALANCE				
Beginning of year			18,779,482	
End of year			<u>\$ 19,676,557</u>	

DOWNTOWN AREA SCHOOL DISTRICT

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

Year ended June 30

	Measurement Date						
	<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 pension liability	0.7123%	0.6174%	0.7311%	0.6556%	0.6547%	0.6410%	0.6259%
District's proportionate share of the net pension liability	\$ 350,729,511	\$ 288,835,822	\$ 350,964,299	\$ 323,790,381	\$ 324,448,546	\$ 277,651,000	\$ 247,735,000
District's covered-employee payroll	\$ 100,128,498	\$ 85,153,373	\$ 98,456,473	\$ 87,291,671	\$ 84,793,744	\$ 82,474,947	\$ 79,863,944
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	350.28%	339.19%	356.47%	370.93%	382.63%	336.65%	310.20%
Plan fiduciary net position as a percentage of the total pension liability	54.32%	55.66%	54.00%	52.00%	50.00%	54.00%	57.00%

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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.

DOWNTOWN AREA SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PENSION PLAN CONTRIBUTIONS - PSERS

Year ended June 30

	Measurement Date						
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 33,276,464	\$ 27,648,629	\$ 31,022,971	\$ 25,076,097	\$ 20,829,000	\$ 16,551,000	\$ 12,468,000
Contributions in relation to the contractually required contribution	<u>33,276,464</u>	<u>27,648,629</u>	<u>31,022,971</u>	<u>25,076,097</u>	<u>20,829,000</u>	<u>16,551,000</u>	<u>12,468,000</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 100,128,498	\$ 85,153,373	\$ 98,456,473	\$ 87,291,671	\$ 84,793,744	\$ 82,474,947	\$ 79,863,944
Contributions as a percentage of covered-employee payroll	33.23%	32.47%	31.51%	29.00%	25.00%	20.00%	16.00%

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.

DOWNINGTOWN 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>
TOTAL OPEB LIABILITY				
Service cost	\$ 1,248,865	\$ 1,253,362	\$ 1,088,495	\$ 1,116,126
Interest on total OPEB liability	556,237	481,312	465,654	362,294
Differences between projected and actual experience	(1,054,902)	-	(416,685)	-
Changes of assumptions	832,556	(475,375)	878,365	(203,972)
Benefit payments	<u>(817,316)</u>	<u>(891,975)</u>	<u>(923,460)</u>	<u>(915,163)</u>
Net change in total OPEB liability	765,440	367,324	1,092,369	359,285
Total OPEB liability, beginning	<u>15,748,559</u>	<u>15,381,235</u>	<u>14,288,866</u>	<u>13,929,581</u>
Total OPEB liability, ending	<u>\$ 16,513,999</u>	<u>\$ 15,748,559</u>	<u>\$ 15,381,235</u>	<u>\$ 14,288,866</u>
Fiduciary net position as a % of total OPEB liability	0.00%	0.00%	0.00%	0.00%
Covered payroll	\$ 98,981,967	\$ 90,294,978	\$ 90,294,978	\$ 83,688,223
Net OPEB liability as a % of covered payroll	16.68%	17.44%	17.03%	17.07%

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.

DOWNINGTOWN 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	0.7134%	0.6174%	0.7311%	0.6556%
District's proportionate share of the net OPEB liability	\$ 15,414,413	\$ 13,131,123	\$ 15,243,062	\$ 13,357,273
District's covered-employee payroll	\$ 100,128,498	\$ 85,153,373	\$ 98,456,473	\$ 87,291,671
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	15.39%	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.

DOWNINGTOWN AREA SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S OPEB PLAN CONTRIBUTIONS - PSERS

Year ended June 30

	Measurement Date			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 839,836	\$ 707,361	\$ 816,814	\$ 724,818
Contributions in relation to the contractually required contribution	<u>\$ 839,836</u>	<u>\$ 707,361</u>	<u>\$ 816,814</u>	<u>\$ 724,818</u>
Contribution deficiency (excess)	-	-	-	-
District's covered-employee payroll	\$ 100,128,498	\$ 85,153,373	\$ 98,456,473	\$ 87,291,671
Contributions as a percentage of covered-employee payroll	0.84%	0.83%	0.83%	0.83%

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.

SUPPLEMENTARY INFORMATION

DOWNINGTOWN AREA SCHOOL DISTRICT

COMBINING BALANCE SHEET - CAPITAL PROJECTS FUND

June 30, 2021

	<u>Capital Reserve Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
ASSETS			
Cash	\$ 21,836,646	\$ 50,072,733	\$ 71,909,379
Investments	5,231,077	29,798,878	35,029,955
Due from other governments	-	1,197,752	1,197,752
Other receivables	-	9,815	9,815
Due from other funds	-	7,646,256	7,646,256
Total assets	<u>\$ 27,067,723</u>	<u>\$ 88,725,434</u>	<u>\$ 115,793,157</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ 2,110,388	\$ 2,110,388
FUND BALANCES			
Committed to			
Capital projects	<u>27,067,723</u>	<u>86,615,046</u>	<u>113,682,769</u>
Total fund balances	<u>27,067,723</u>	<u>86,615,046</u>	<u>113,682,769</u>
Total liabilities and fund balances	<u>\$ 27,067,723</u>	<u>\$ 88,725,434</u>	<u>\$ 115,793,157</u>

DOWNINGTOWN AREA SCHOOL DISTRICT

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

Year ended June 30, 2021

	Capital Reserve Fund	Capital Projects Fund	Total
REVENUES			
Local sources	\$ 260,528	\$ 547,649	\$ 808,177
Federal sources	-	1,282,344	1,282,344
	<u>260,528</u>	<u>1,829,993</u>	<u>2,090,521</u>
EXPENDITURES			
Current			
Instruction	-	5,586,326	5,586,326
Support services	-	96,202	96,202
Operation of noninstructional services	-	7,155	7,155
Facilities acquisition, construction and improvement services	-	12,883,468	12,883,468
Total expenditures	<u>-</u>	<u>18,573,151</u>	<u>18,573,151</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>260,528</u>	<u>(16,743,158)</u>	<u>(16,482,630)</u>
OTHER FINANCING SOURCES (USES)			
Refund of prior year expenditures	-	343,796	343,796
Transfers in (reimbursement)	-	7,646,256	7,646,256
Transfers in (non-reimbursement)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>7,990,052</u>	<u>7,990,052</u>
NET CHANGE IN FUND BALANCES	260,528	(8,753,106)	(8,492,578)
FUND BALANCES			
Beginning of year	<u>26,807,195</u>	<u>95,368,152</u>	<u>122,175,347</u>
End of year	<u>\$ 27,067,723</u>	<u>\$ 86,615,046</u>	<u>\$ 113,682,769</u>

DOWNINGTOWN AREA SCHOOL DISTRICT

BORROWING BASE CALCULATION - GENERAL FUND

Year ended June 30,

	<u>2019</u>	<u>2020</u>	<u>2021</u>
Gross revenues received - General Fund	<u>\$ 225,625,070</u>	<u>\$ 228,417,537</u>	<u>\$ 235,653,679</u>
Deductions pursuant to Section 102 (c)(16) of Act 185 of 1972;			
(i) Subsidy - rentals and sinking fund payments	1,127,730	1,139,792	1,133,270
(ii) Non-recurring receipts	<u>-</u>	<u>-</u>	<u>-</u>
Total deductions	<u>1,127,730</u>	<u>1,139,792</u>	<u>1,133,270</u>
TOTAL REVENUES AS DEFINED IN SECTION (102(c)(16) OF ACT 185 OF 1972	<u>\$ 224,497,340</u>	<u>\$ 227,277,745</u>	<u>\$ 234,520,409</u>
TOTAL REVENUES FOR PAST THREE YEARS	<u>\$ 662,341,532</u>	<u>\$ 672,957,956</u>	<u>\$ 686,295,494</u>
BORROWING BASE - AVERAGE ANNUAL REVENUES	<u>\$ 220,780,511</u>	<u>\$ 224,319,319</u>	<u>\$ 228,765,165</u>
DEBT LIMIT - 225% OF BORROWING BASE	<u>\$ 496,756,149</u>	<u>\$ 504,718,467</u>	<u>\$ 514,721,621</u>

DOWNINGTOWN AREA SCHOOL DISTRICT

COMPARATIVE SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GENERAL FUND

June 30,

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
REVENUES										
Local sources	\$177,935,546	\$172,674,069	\$172,336,280	\$169,667,095	\$168,019,218	\$165,798,902	\$161,347,717	\$158,062,114	\$155,165,778	\$150,471,909
State sources	53,930,959	52,437,987	50,286,113	50,224,146	50,415,422	43,445,079	40,489,476	38,795,263	35,850,554	36,203,487
Federal sources	3,787,174	3,305,481	3,002,677	2,922,619	2,973,257	2,724,944	2,758,810	3,057,783	3,012,007	3,140,124
Total revenues	<u>235,653,679</u>	<u>228,417,537</u>	<u>225,625,070</u>	<u>222,813,860</u>	<u>221,407,897</u>	<u>211,968,925</u>	<u>204,596,003</u>	<u>199,915,160</u>	<u>194,028,339</u>	<u>189,815,520</u>
EXPENDITURES										
Instruction	147,133,789	138,616,271	134,766,707	130,407,874	126,339,494	122,852,991	114,337,036	107,576,872	102,566,445	100,946,540
Support services	66,798,832	63,990,979	63,073,821	60,274,071	60,692,658	58,164,456	54,859,555	50,494,222	47,672,427	46,149,161
Operation of noninstructional services	3,303,190	3,741,356	4,125,096	4,152,500	3,952,347	3,781,391	3,742,258	3,418,070	3,405,943	3,234,836
Facilities acquisition, construction and improvement services	277,151	332,382	279,002	331,257	353,018	311,756	187,621	300,250	1,558,131	3,000,000
Debt service	9,851,679	9,846,764	9,839,885	11,833,005	11,831,039	13,361,677	13,887,128	16,801,219	27,185,883	26,836,505
Total expenditures	<u>227,364,641</u>	<u>216,527,752</u>	<u>212,084,511</u>	<u>206,998,707</u>	<u>203,168,556</u>	<u>198,472,271</u>	<u>187,013,598</u>	<u>178,590,633</u>	<u>182,388,829</u>	<u>180,167,042</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>8,289,038</u>	<u>11,889,785</u>	<u>13,540,559</u>	<u>15,815,153</u>	<u>18,239,341</u>	<u>13,496,654</u>	<u>17,582,405</u>	<u>21,324,527</u>	<u>11,639,510</u>	<u>9,648,478</u>
OTHER FINANCING SOURCES (USES)										
Transfers out	(7,646,256)	(11,699,163)	(13,208,160)	(15,826,069)	(25,760,784)	(13,127,754)	(19,572,644)	(25,071,254)	(20,745,138)	(21,931,206)
Sale of/compensation for capital assets	147,347	278,039	44,245	162,237	182,098	45,414	37,165	17,064	3,675	16,100
Proceeds from extended-term financing	-	-	-	-	-	-	-	-	-	-
Refunds of prior years expenditures (revenues)	106,946	117,085	122,639	201,532	69,585	(76,904)	119,098	239,113	384	(10,642)
Total other financing sources (uses)	<u>(7,391,963)</u>	<u>(11,304,039)</u>	<u>(13,041,276)</u>	<u>(15,462,300)</u>	<u>(25,509,101)</u>	<u>(13,159,244)</u>	<u>(19,416,381)</u>	<u>(24,815,077)</u>	<u>(20,741,079)</u>	<u>(21,925,748)</u>
NET CHANGE IN FUND BALANCE	<u>897,075</u>	<u>585,746</u>	<u>499,283</u>	<u>352,853</u>	<u>(7,269,760)</u>	<u>337,410</u>	<u>(1,833,976)</u>	<u>(3,490,550)</u>	<u>(9,101,569)</u>	<u>(12,277,270)</u>
FUND BALANCE										
Beginning of year	<u>18,779,482</u>	<u>18,193,736</u>	<u>17,694,453</u>	<u>17,341,600</u>	<u>24,611,360</u>	<u>24,273,950</u>	<u>26,107,926</u>	<u>29,598,476</u>	<u>38,700,045</u>	<u>50,977,315</u>
End of year	<u>\$ 19,676,557</u>	<u>\$ 18,779,482</u>	<u>\$ 18,193,736</u>	<u>\$ 17,694,453</u>	<u>\$ 17,341,600</u>	<u>\$ 24,611,360</u>	<u>\$ 24,273,950</u>	<u>\$ 26,107,926</u>	<u>\$ 29,598,476</u>	<u>\$ 38,700,045</u>

DOWNTOWN AREA SCHOOL DISTRICT

COMPARATIVE SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - ORIGINAL BUDGET AND ACTUAL GENERAL FUND

June 30,

	2021		2020		2019		2018		2017	
	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual
REVENUES										
Local sources	\$ 169,547,320	\$ 177,935,546	\$ 172,858,820	\$ 172,674,069	\$ 168,769,339	\$ 172,336,280	\$ 167,346,585	\$ 169,667,095	\$ 163,745,222	\$ 168,019,218
State sources	52,608,923	53,930,959	52,134,292	52,437,987	50,500,466	50,286,113	48,250,113	50,224,146	46,198,778	50,415,422
Federal sources	2,358,703	3,787,174	1,135,000	3,305,481	1,270,000	3,002,677	1,128,000	2,922,619	1,168,000	2,973,257
Total revenues	224,514,946	235,653,679	226,128,112	228,417,537	220,539,805	225,625,070	216,724,698	222,813,860	211,112,000	221,407,897
EXPENDITURES										
Regular programs	102,434,338	104,320,237	99,428,734	98,038,430	92,178,760	96,559,508	101,187,500	94,482,875	97,996,065	90,304,527
Special programs	33,178,469	34,667,790	31,655,377	32,559,701	30,071,679	30,413,690	30,756,460	28,808,958	29,791,057	28,905,873
Vocational programs	6,475,265	6,541,729	6,154,599	6,273,664	5,735,778	5,810,180	5,708,799	5,657,676	6,270,044	5,553,718
Other instructional programs	1,576,243	1,597,762	1,744,486	1,739,711	1,816,672	1,942,120	1,674,763	1,422,288	1,744,527	1,557,847
Nonpublic school programs	36,700	6,271	38,500	4,765	37,392	41,209	5,000	36,077	12,000	17,529
Pupil personnel services	8,853,101	9,215,208	8,518,095	9,096,830	8,063,628	8,148,107	7,875,328	7,795,655	7,480,586	7,443,942
Instructional staff services	5,862,613	7,588,577	6,347,205	6,867,839	6,106,092	7,097,655	5,921,418	6,231,579	5,738,259	6,262,051
Administrative services	12,631,129	13,326,182	13,370,486	12,316,951	12,279,091	11,872,379	12,175,347	10,636,060	12,104,043	12,550,594
Pupil health	3,141,540	3,032,396	3,013,269	2,744,747	2,949,147	2,808,862	3,022,009	2,825,577	2,876,200	2,791,701
Business services	2,246,329	2,161,333	2,471,992	2,133,675	2,304,020	2,405,528	2,254,580	2,159,612	2,041,382	1,981,294
Operation and maintenance of plant services	15,333,193	15,879,519	15,331,601	14,511,209	14,820,790	14,130,699	14,998,184	14,018,196	14,851,685	14,116,920
Student transportation services	13,397,833	10,602,071	12,801,555	10,990,897	11,976,434	12,212,453	11,821,037	11,543,650	11,371,606	11,259,811
Central and other support services	4,454,269	4,993,546	4,759,516	5,328,831	4,552,692	4,398,138	4,662,983	5,063,742	4,387,526	4,286,345
Student activities	3,986,503	3,288,501	3,850,814	3,674,686	3,776,780	4,045,151	3,674,876	4,066,865	3,493,302	3,874,670
Community services	89,250	14,689	84,660	66,670	87,000	79,945	81,716	85,635	83,718	77,677
Facilities acquisition, construction and improvement	280,000	277,151	310,000	332,382	310,000	279,002	360,000	331,257	350,000	353,018
Debt service	8,000,000	9,851,679	10,000,000	9,846,764	10,000,000	9,839,885	10,090,000	11,833,005	10,020,000	11,831,039
Total expenditures	221,976,775	227,364,641	219,880,889	216,527,752	207,065,955	212,084,511	216,270,000	206,998,707	210,612,000	203,168,556
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,538,171	8,289,038	6,247,223	11,889,785	13,473,850	13,540,559	454,698	15,815,153	500,000	18,239,341
OTHER FINANCING SOURCES (USES)										
Sale of/compensation for capital assets	200,000	147,347	89,700	278,039	90,000	44,245	45,302	162,237	-	182,098
Refund of prior year expenditures (revenues)	-	106,946	25,000	117,085	(50,000)	122,639	-	201,532	-	69,585
Transfers out	-	(7,646,256)	(1,500,000)	(11,699,163)	(7,950,000)	(13,208,160)	-	(15,826,069)	-	(25,760,784)
Budgetary reserve	(8,810,685)	-	(4,861,923)	-	(5,563,850)	-	(500,000)	-	(500,000)	-
Total other financing sources (uses)	(8,610,685)	(7,391,963)	(6,247,223)	(11,304,039)	(13,473,850)	(13,041,276)	(454,698)	(15,462,300)	(500,000)	(25,509,101)
NET CHANGE IN FUND BALANCE	(6,072,514)	897,075	-	585,746	-	499,283	-	352,853	-	(7,269,760)
FUND BALANCE										
Beginning of year	18,779,482	18,779,482	18,193,736	18,193,736	23,214,234	17,694,453	25,561,600	17,341,600	24,500,000	24,611,360
End of year	\$ 12,706,968	\$ 19,676,557	\$ 18,193,736	\$ 18,779,482	\$ 23,214,234	\$ 18,193,736	\$ 25,561,600	\$ 17,694,453	\$ 24,500,000	\$ 17,341,600

DOWNTOWN AREA SCHOOL DISTRICT

COMPARATIVE SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - ORIGINAL BUDGET AND ACTUAL GENERAL FUND

June 30,

	2016		2015		2014		2013		2012	
	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual
REVENUES										
Local sources	\$ 158,782,552	\$ 165,798,902	\$ 155,097,493	\$ 161,347,717	\$ 151,319,934	\$ 158,062,114	\$ 151,697,123	\$ 155,165,778	\$ 148,233,912	\$ 150,471,909
State sources	43,095,448	43,445,079	40,717,507	40,489,476	38,440,601	38,795,263	36,648,877	35,850,554	34,933,500	36,203,487
Federal sources	925,000	2,724,944	1,020,000	2,758,810	1,419,465	3,057,783	1,458,000	3,012,007	1,549,025	3,140,124
Total revenues	202,803,000	211,968,925	196,835,000	204,596,003	191,180,000	199,915,160	189,804,000	194,028,339	184,716,437	189,815,520
EXPENDITURES										
Regular programs	93,665,914	88,830,399	90,286,288	82,933,616	84,642,863	77,480,067	83,498,254	73,925,443	76,800,064	71,789,600
Special programs	27,734,555	26,945,686	25,849,778	24,485,681	24,118,246	22,947,710	24,799,582	21,085,193	24,431,112	21,050,519
Vocational programs	6,157,309	5,661,706	5,394,047	5,367,294	6,302,373	5,723,326	6,571,773	6,176,446	7,064,327	6,538,896
Other instructional programs	1,582,643	1,413,430	1,824,222	1,550,445	1,982,521	1,425,769	1,636,066	1,379,363	1,508,031	1,567,525
Nonpublic school programs	15,000	1,770	-	-	-	-	-	-	-	-
Pupil personnel services	7,022,511	7,033,625	6,646,435	6,644,737	6,099,362	6,045,437	5,706,891	5,728,429	5,492,904	5,298,326
Instructional staff services	5,521,646	5,525,255	5,608,033	5,159,824	5,463,142	4,420,735	5,085,592	4,460,467	5,450,065	4,289,526
Administrative services	11,449,044	11,436,417	10,821,188	10,594,845	10,170,156	9,479,748	9,173,297	8,826,275	8,654,446	8,290,794
Pupil health	2,846,521	2,583,197	3,010,261	2,569,803	2,829,823	2,600,594	2,738,077	2,633,840	2,490,275	2,516,052
Business services	1,895,079	1,692,735	1,563,524	1,687,424	1,411,977	1,375,160	1,263,848	1,298,612	1,182,131	1,137,795
Operation and maintenance of plant services	14,335,773	14,599,437	13,604,300	13,749,844	12,681,294	13,085,122	12,960,461	11,694,446	13,141,927	11,409,836
Student transportation services	11,084,751	11,378,180	11,118,147	10,926,856	10,048,899	10,031,148	10,223,581	9,572,089	9,815,366	9,900,783
Central and other support services	4,143,691	3,915,610	4,093,679	3,526,222	3,637,940	3,456,278	3,599,481	3,458,269	3,747,757	3,306,049
Student activities	3,299,563	3,706,256	3,244,593	3,675,858	3,114,404	3,400,821	3,209,497	3,377,064	3,054,297	3,203,140
Community services	44,000	75,135	52,250	66,400	51,000	17,249	64,600	28,879	70,100	31,696
Facilities acquisition, construction and improvement	485,000	311,756	1,468,255	187,621	300,000	300,250	-	1,558,131	-	3,000,000
Debt service	15,500,000	13,361,677	16,190,000	13,887,128	15,586,000	16,801,219	16,500,000	27,185,883	18,000,000	26,836,505
Total expenditures	206,783,000	198,472,271	200,775,000	187,013,598	188,440,000	178,590,633	187,031,000	182,388,829	180,902,802	180,167,042
EXCESS OF REVENUES OVER EXPENDITURES	(3,980,000)	13,496,654	(3,940,000)	17,582,405	2,740,000	21,324,527	2,773,000	11,639,510	3,813,635	9,648,478
OTHER FINANCING SOURCES (USES)										
Sale of/compensation for capital assets	-	45,414	-	37,165	-	17,064	-	3,675	-	16,100
Refund of prior year expenditures (revenues)	(20,000)	(76,904)	(60,000)	119,098	(60,000)	239,113	(80,000)	384	(100,000)	(10,642)
Transfers out	-	(13,127,754)	-	(19,572,644)	(6,000,000)	(25,071,254)	(5,980,000)	(20,745,138)	(5,713,635)	(21,931,206)
Budgetary reserve	(500,000)	-	(500,000)	-	(500,000)	-	(500,000)	-	(500,000)	-
Total other financing sources (uses)	(520,000)	(13,159,244)	(560,000)	(19,416,381)	(6,560,000)	(24,815,077)	(6,560,000)	(20,741,079)	(6,313,635)	(21,925,748)
NET CHANGE IN FUND BALANCE	(4,500,000)	337,410	(4,500,000)	(1,833,976)	(3,820,000)	(3,490,550)	(3,787,000)	(9,101,569)	(2,500,000)	(12,277,270)
FUND BALANCE										
Beginning of year	26,500,000	24,273,950	56,606,800	26,107,926	51,820,000	29,598,476	23,950,000	38,700,045	42,250,000	50,977,315
End of year	\$ 22,000,000	\$ 24,611,360	\$ 52,106,800	\$ 24,273,950	\$ 48,000,000	\$ 26,107,926	\$ 20,163,000	\$ 29,598,476	\$ 39,750,000	\$ 38,700,045

DOWNINGTOWN AREA SCHOOL DISTRICT

COMPARATIVE SCHEDULES OF REVENUES AND OTHER FINANCING SOURCES - GENERAL FUND

June 30,

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
REVENUES					
Local sources					
Current real estate taxes	\$ 142,289,601	\$ 141,921,935	\$ 139,238,919	\$ 137,897,085	\$ 136,816,786
Interim real estate taxes	3,372,342	2,074,669	2,727,132	2,281,663	3,448,417
Public utility realty tax	161,900	150,294	166,470	166,089	176,715
Act 511 local services taxes	206,962	224,184	211,683	220,294	232,779
Act 511 earned income taxes	19,519,517	16,935,044	16,976,574	16,475,316	16,440,768
Act 511 real estate transfer taxes	4,868,084	2,871,706	3,796,236	2,999,767	2,937,027
Delinquent real estate taxes	3,171,913	2,499,954	2,246,920	3,520,845	2,964,014
Earnings on investments	531,235	1,857,522	2,224,533	1,380,428	732,214
Revenues from intermediary sources	2,070,967	1,697,945	1,813,562	1,854,021	1,927,828
Rentals	62,348	469,922	536,340	476,662	374,630
Tuition - regular and summer school	94,697	40,914	132,874	255,867	38,956
Student activities	1,434,586	1,812,144	2,079,732	1,930,289	1,707,287
Miscellaneous revenue	151,394	117,836	185,305	208,769	221,797
Total revenues from local sources	<u>177,935,546</u>	<u>172,674,069</u>	<u>172,336,280</u>	<u>169,667,095</u>	<u>168,019,218</u>
State sources					
Basic education	15,213,418	15,213,438	14,785,800	14,607,845	14,346,522
Charter schools	-	-	-	-	-
Tuition court placed	153,276	776,402	79,034	137,120	157,552
Special education	6,146,692	5,804,520	5,901,099	6,131,365	5,849,908
Transportation	4,049,334	3,618,939	3,746,544	3,894,611	3,838,040
Rental and sinking fund payments	1,236,671	1,248,896	1,263,351	2,252,395	4,842,591
Medical and dental services	305,200	305,654	329,923	285,534	288,748
State property tax reduction allocation	3,983,275	3,954,207	3,875,394	3,939,786	3,906,948
Other state grants	-	-	51,416	1,663	-
Safe schools	25,000	45,000	25,000	-	-
Accountability grant	-	-	-	-	-
Ready to learn grant	874,969	874,969	874,969	874,969	874,969
Social security subsidy	3,866,989	3,663,307	3,588,740	3,332,110	3,218,331
Retirement subsidy	18,076,135	16,932,655	15,764,843	14,766,748	13,091,813
Incarcerated education	-	-	-	-	-
Total revenues from state sources	<u>53,930,959</u>	<u>52,437,987</u>	<u>50,286,113</u>	<u>50,224,146</u>	<u>50,415,422</u>
Federal sources					
Title I - low income	318,047	273,480	339,732	294,189	356,259
Title II - improving teaching quality	218,224	199,135	173,142	233,281	147,573
Title III - english language	34,577	65,992	45,514	39,921	31,686
Title IV- student support & enrichment	25,751	51,456	-	1,687	-
Qualified school construction bond (QSCB)	1,851,679	1,846,765	1,839,885	1,833,005	1,831,039
All other federal grants	561,186	568,980	576,693	509,899	594,897
Medical assistance/administrative	32,180	28,671	27,711	10,637	11,803
COVID-19 grants	745,530	271,002	-	-	-
Total revenues from federal sources	<u>3,787,174</u>	<u>3,305,481</u>	<u>3,002,677</u>	<u>2,922,619</u>	<u>2,973,257</u>
Other financing sources					
Sale of/compensation for capital assets	147,347	278,039	44,245	162,237	182,098
Refunds of prior years expenditures	112,750	117,370	141,018	201,532	88,522
Total other financing sources	<u>260,097</u>	<u>395,409</u>	<u>185,263</u>	<u>363,769</u>	<u>270,620</u>
Total revenues	<u>\$ 235,913,776</u>	<u>\$ 228,812,946</u>	<u>\$ 225,810,333</u>	<u>\$ 223,177,629</u>	<u>\$ 221,678,517</u>

DOWNINGTOWN AREA SCHOOL DISTRICT

COMPARATIVE SCHEDULES OF REVENUES AND OTHER FINANCING SOURCES - GENERAL FUND

June 30,

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
REVENUES					
Local sources					
Current real estate taxes	\$ 134,549,959	\$ 132,009,040	\$ 130,277,236	\$ 129,407,143	\$ 126,413,056
Interim real estate taxes	4,121,201	3,176,436	2,360,683	1,752,473	1,792,941
Public utility realty tax	179,587	191,740	186,605	189,265	197,693
Act 511 local services taxes	212,407	203,886	204,042	170,459	209,436
Act 511 earned income taxes	15,700,345	16,076,800	15,098,451	14,065,246	12,845,110
Act 511 real estate transfer taxes	3,348,454	2,514,756	2,443,816	2,678,500	2,067,424
Delinquent real estate taxes	3,332,783	3,355,254	3,954,319	3,379,685	3,486,927
Earnings on investments	475,958	381,737	309,237	377,824	419,429
Revenues from intermediary sources	1,670,659	1,691,913	1,593,535	1,682,844	1,563,822
Rentals	494,672	235,404	267,334	158,046	117,069
Tuition - regular and summer school	71,276	53,854	58,790	77,561	62,613
Student activities	1,430,436	1,275,591	1,171,632	1,090,745	1,113,741
Miscellaneous revenue	211,165	181,306	136,434	135,987	182,648
Total revenues from local sources	<u>165,798,902</u>	<u>161,347,717</u>	<u>158,062,114</u>	<u>155,165,778</u>	<u>150,471,909</u>
State sources					
Basic education	13,870,652	13,474,564	13,509,785	13,062,584	13,062,584
Charter schools	-	-	-	-	-
Tuition court placed	115,763	150,544	102,923	131,695	437,805
Special education	5,688,100	5,500,007	5,411,988	5,310,989	5,211,893
Transportation	4,016,650	3,804,844	3,754,560	3,649,538	3,653,543
Rental and sinking fund payments	591,455	782,427	1,892,129	1,541,547	3,193,177
Medical and dental services	288,659	290,607	313,153	308,513	287,491
State property tax reduction allocation	3,808,899	3,881,937	3,813,172	3,828,397	3,850,949
Other state grants	6,195	1,000	-	-	51,000
Safe schools	9,780	-	-	13,434	13,656
Accountability grant	-	-	264,742	264,742	264,742
Ready to learn grant	874,969	660,098	-	-	-
Social security subsidy	3,182,939	3,082,604	2,964,554	2,890,657	2,862,912
Retirement subsidy	10,991,018	8,860,844	6,768,257	4,848,458	3,313,297
Incarcerated education	-	-	-	-	438
Total revenues from state sources	<u>43,445,079</u>	<u>40,489,476</u>	<u>38,795,263</u>	<u>35,850,554</u>	<u>36,203,487</u>
Federal sources					
Title I - low income	257,694	298,055	265,935	253,603	257,547
Title II - improving teaching quality	135,367	148,398	105,225	138,074	196,466
Title III - english language	27,623	22,959	18,016	33,528	40,114
Title IV- student support & enrichment	-	-	-	-	-
Qualified school construction bond (QSCB)	1,827,108	1,823,177	1,809,417	1,965,689	1,586,545
All other federal grants	452,998	444,422	830,834	621,113	1,059,452
Medical assistance/administrative	24,154	21,799	28,356	-	-
COVID-19 grants	-	-	-	-	-
Total revenues from federal sources	<u>2,724,944</u>	<u>2,758,810</u>	<u>3,057,783</u>	<u>3,012,007</u>	<u>3,140,124</u>
Other financing sources					
Sale of/compensation for capital assets	45,414	37,165	17,064	3,675	16,100
Refunds of prior years expenditures	64,835	121,572	244,587	11,754	43,861
Total other financing sources	<u>110,249</u>	<u>158,737</u>	<u>261,651</u>	<u>15,429</u>	<u>59,961</u>
Total revenues	<u>\$ 212,079,174</u>	<u>\$ 204,754,740</u>	<u>\$ 200,176,811</u>	<u>\$ 194,043,768</u>	<u>\$ 189,875,481</u>

SINGLE AUDIT

DOWNINGTOWN AREA SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS

Year ended June 30, 2021

<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>
U.S. Department of Education											
Passed-Through the Pennsylvania Department of Education											
Title I - Improving Basic Programs	I	84.010	013-200121	07/01/19 - 09/30/20	\$ 309,732	\$ 88,135	\$ 22,799	\$ 65,336	\$ 65,336	\$ -	\$ -
Title I - Improving Basic Programs	I	84.010	013-210121	07/01/20 - 09/30/21	328,875	219,250	-	252,711	252,711	33,461	-
Total CFDA #84.010						307,385	22,799	318,047	318,047	33,461	-
Title II - Improving Teacher Quality	I	84.367	020-200121	07/01/19 - 09/30/20	168,030	120,066	31,886	88,180	88,180	-	-
Title II - Improving Teacher Quality	I	84.367	020-210121	07/01/20 - 09/30/21	176,516	129,445	-	130,043	130,043	598	-
Total CFDA #84.367						249,511	31,886	218,223	218,223	598	-
Title III - Language Instruction LEP/ Immigrant Students	I	84.365	010-200121	07/01/19 - 09/30/20	34,035	12,156	6,955	5,201	5,201	-	-
Title III - Language Instruction LEP/ Immigrant Students	I	84.365	010-210121	07/01/20 - 09/30/21	35,841	28,673	-	29,377	29,377	704	-
Total CFDA #84.365						40,829	6,955	34,578	34,578	704	-
Title IV Student Support & Academic Enrichment	I	84.424	144-190121	07/01/18 - 09/30/20	21,143	14,095	14,095	-	-	-	-
Title IV Student Support & Academic Enrichment	I	84.424	144-200121	07/01/19 - 09/30/20	24,266	-	(2,266)	2,266	2,266	-	-
Title IV Student Support & Academic Enrichment	I	84.424	144-210121	07/01/20 - 09/30/21	23,485	23,485	-	23,485	23,485	-	-
Total CFDA #84.424						37,580	11,829	25,751	25,751	-	-
Governor's Emergency Education Relief (GEER) Fund	I	84.425	252-200121	03/13/20-09/30/21	35,858	9,436	-	-	-	(9,436)	-
Elementary and Secondary School Emergency Relief Fund	I	84.425	200-200121	03/13/20-09/30/21	254,339	254,339	-	254,009	254,009	(330)	-
Elementary and Secondary School Emergency Relief Fund	I	84.425	200-210121	03/13/20-09/30/23	1,234,833	84,592	-	969,950	969,950	885,358	-
Passed Through the Pennsylvania Commission on Crime and Delinquency											
Elementary and Secondary School Emergency Relief Fund	I	84.425	2020-ES-01-35314	03/13/20-09/30/22	406,585	-	-	400,344	400,344	400,344	-
Total CFDA #84.425						348,367	-	1,624,303	1,624,303	1,275,936	-

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>
Passed-Through the Chester County I.U.											
I.D.E.A. - Part B, Section 611	I	84.027	062-200024	07/01/19 - 09/30/20	1,692,845	994,162	994,162	-	-	-	-
I.D.E.A. - Part B, Section 611	I	84.027	062-210024	07/01/20 - 09/30/21	1,878,767	738,472	-	1,616,337	1,616,337	877,865	-
Total CFDA #84.027						1,732,634	994,162	1,616,337	1,616,337	877,865	-
I.D.E.A. - Part B, Section 619	I	84.173	131-200024	07/01/19 - 06/30/20	5,100	5,100	5,100	-	-	-	-
I.D.E.A. - Part B, Section 619	I	84.173	131-210024	07/01/20 - 06/30/21	4,680	-	-	4,680	4,680	4,680	-
Total CFDA #84.173						5,100	5,100	4,680	4,680	4,680	-
Total U.S. Department of Education						2,721,406	1,072,731	3,841,919	3,841,919	2,193,244	-
U.S. Department of Health and Human Services											
Passed Through the Pennsylvania Department of Public Welfare											
Medical Assistance Program	I	93.778	N/A	07/01/19 - 06/30/20	28,671	13,391	13,391	-	-	-	-
Medical Assistance Program	I	93.778	N/A	07/01/20 - 06/30/21	32,180	13,329	-	32,180	32,180	18,851	-
Total CFDA #93.778						26,720	13,391	32,180	32,180	18,851	-
U.S. Department of Treasury											
Passed Through the Pennsylvania Commission on Crime and Delinquency											
COVID-19 Relief Fund	I	21.019	2020-CS-01-33382	03/01/20-10/30/20	621,202	621,202	271,002	350,200	350,200	-	-
Passed-Through the Chester County I.U.											
COVID-19 Relief Fund	I	21.019	19,947	03/01/20-12/30/20	449,950	449,950	-	449,950	449,950	-	-
Total CFDA #21.019						1,071,152	271,002	800,150	800,150	-	-
Total U.S. Department of the Treasury						1,071,152	271,002	800,150	800,150	-	-
U.S. Department of Agriculture											
Passed-Through the Pennsylvania Department of Education											
State Matching Share	S	N/A	N/A	07/01/19 - 06/30/20	N/A	2,723	2,723	-	-	-	-
State Matching Share	S	N/A	N/A	07/01/20 - 06/30/21	N/A	104,961	-	111,536	111,536	6,575	-
Total State Matching Share						107,684	2,723	111,536	111,536	6,575	-

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>
Breakfast Program	I	10.553	N/A	07/01/19 - 06/30/20	N/A	22,777	22,777	-	-	-	-
Breakfast Program	I	10.553	N/A	07/01/20 - 06/30/21	N/A	640,231	-	680,336	680,336	40,105	-
Total CFDA #10.553						663,008	22,777	680,336	680,336	40,105	-
National School Lunch Program	I	10.555	N/A	07/01/19 - 06/30/20	N/A	43,079	43,079	-	-	-	-
National School Lunch Program	I	10.555	N/A	07/01/20 - 06/30/21	N/A	1,972,806	-	2,096,087	2,096,087	123,281	-
Passed-Through the Pennsylvania Department of Agriculture											
National School Lunch Program	I	10.555	N/A	07/01/20 - 06/30/21	N/A	a) 164,268	b) (5,155) c)	168,083	168,083	d) (1,340)	-
Total CFDA #10.555						2,180,153	37,924	2,264,170	2,264,170	121,941	-
Total U.S. Department of Agriculture						2,950,845	63,424	3,056,042	3,056,042	168,621	-
Total Federal Awards and Certain State Grants						\$ 6,770,123	\$ 1,420,548	\$ 7,730,291	\$ 7,730,291	\$ 2,380,716	\$ -
Total Federal Awards						\$ 6,662,439	\$ 1,417,825	\$ 7,618,755	\$ 7,618,755	\$ 2,374,141	\$ -
Total State Awards						107,684	2,723	111,536	111,536	6,575	-
Total Federal Awards and Certain State Grants						\$ 6,770,123	\$ 1,420,548	\$ 7,730,291	\$ 7,730,291	\$ 2,380,716	\$ -
Special Education Cluster (IDEA) (CFDA's #84.027 and #84.173)						\$ 1,737,734	\$ 999,262	\$ 1,621,017	\$ 1,621,017	\$ 882,545	\$ -
Child Nutrition Cluster (CFDA's #10.553 and #10.555)						\$ 2,843,161	\$ 60,701	\$ 2,944,506	\$ 2,944,506	\$ 162,046	\$ -

Footnotes

- a) Total amount of commodities received
- b) Beginning inventory July 1
- c) Total amount of commodities used
- d) Ending inventory June 30

Source Codes

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

See Notes to the Schedule of Expenditures of Federal Awards and Certain State Grants for expenditures of grants awarded after year end.

DOWNINGTOWN AREA SCHOOL DISTRICT

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

June 30, 2021

(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 \$561,185.

(5) QUALIFIED SCHOOL CONSTRUCTION BONDS PROGRAM

The District participates in the Qualified School Construction Bonds ("**QSCB**") program sponsored by the State Public School Building Authority ("**SPSBA**"). In conjunction with the QSCB Program, the District receives subsidy reimbursements for a portion of the interest payments made under its loan agreements with the SPSBA. Reimbursements are federal source revenues but are not considered federal financial assistance. The amount of QSCB subsidy payments recognized for the year ended June 30, 2021 was \$1,851,679.

(6) INDIRECT COSTS

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

(7) AWARDS MADE AFTER YEAR END

The District was awarded \$2,497,710 under the American Rescue Plan Elementary and Secondary School Emergency Relief (CFDA#84.425) after June 30, 2021. The period of performance for this grant began March 13, 2020. The District has applied \$53,372 of its expenses for the period of March 13, 2020 through June 30, 2021 under this grant. The determination of the reporting of expenditures on the Schedule of Expenditures of Federal Awards is independent of the determination of revenue recognition under generally accepted accounting principles. Revenue recognition on the Schedule are allowed only after the grant has been awarded.

DOWNTOWN AREA SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended June 30, 2021

There were no audit findings for the year ended June 30, 2020.



**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
Downingtown Area School District
Downingtown, 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, each major fund, and the aggregate remaining fund information of Downingtown Area School District, Downingtown, Pennsylvania, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Downingtown Area School District's basic financial statements, and have issued our report thereon dated December 8, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Downingtown 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 Downingtown Area School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Downingtown 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 Downingtown 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*.

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
December 8, 2021**



**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
Downingtown Area School District
Downingtown, Pennsylvania**

Report on Compliance for Each Major Federal Program

We have audited Downingtown 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 Downingtown Area School District's major federal programs for the year ended June 30, 2021. Downingtown 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 Downingtown 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 Downingtown 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 Downingtown Area School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Downingtown 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 Downingtown 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 Downingtown 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 Downingtown 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
December 8, 2021**

DOWNINGTOWN AREA SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2021

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Downingtown 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 Downingtown 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 Downingtown 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 Downingtown 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:
 - Breakfast Program – CFDA Number 10.553
 - National School Lunch Program – CFDA Number 10.555
 - Coronavirus Relief Fund – CFDA Number 21.019
 - Education Stabilization Fund– CFDA Number 84.425
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. Downingtown Area School District did qualify as a low-risk auditee.

FINDINGS—FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS AUDIT

None