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## 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, 2017

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**NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** **\$ 11,127,534**

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

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

Capital outlay expenditures	\$ 8,916,672	
Depreciation expense	<u>(13,441,596)</u>	(4,524,924)

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 decreased by this amount this year.

Deferred inflows of resources June 30, 2016	(3,395,905)	
Deferred inflows of resources June 30, 2017	<u>3,106,520</u>	(289,385)

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	5,585,000	
Amortization of bond premiums and discounts	<u>367,804</u>	5,952,804

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	(509,507)	
Current year change in investment derivative instrument	(962,565)	
Change in net pension liability and related deferred inflows and outflows	(11,583,395)	
Current year change in compensated absences	(353,598)	
Current year change in net post-employment benefit (OPEB) obligation	<u>(1,103,463)</u>	<u>(14,512,528)</u>

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** **\$ (2,246,499)**

# DOWNINGTOWN AREA SCHOOL DISTRICT

## STATEMENT OF NET POSITION - PROPRIETARY FUNDS

June 30, 2017

	<u>Major Fund</u> <u>Food Service</u> <u>Fund</u>
<b>ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b>	
<b>CURRENT ASSETS</b>	
Cash	\$ 740,467
Investments	800,000
Due from other funds	37,573
Due from other governments	13,588
Other receivables	8,576
Inventories	<u>12,658</u>
<b>Total current assets</b>	<u>1,612,862</u>
<b>NONCURRENT ASSETS</b>	
Capital assets, net	<u>1,001,485</u>
<b>Total assets</b>	<u>2,614,347</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>	
Deferred charges on proportionate share of pension	<u>76,587</u>
<b>LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION</b>	
<b>LIABILITIES</b>	
Accounts payable	228,081
Due to other funds	8,163
Unearned revenue	<u>133,570</u>
<b>Total current liabilities</b>	<u>369,814</u>
<b>NONCURRENT LIABILITIES</b>	
Accrued compenstated absences	24,030
Net pension liability	<u>374,160</u>
<b>Total noncurrent liabilities</b>	<u>398,190</u>
<b>Total liabilities</b>	<u>768,004</u>
<b>DEFERRED INFLOW OF RESOURCES</b>	
Deferred credits on proportionate share of pension	<u>3,117</u>
<b>NET POSITION</b>	
Net investment in capital assets	1,001,485
Unrestricted	<u>918,328</u>
<b>Total net position</b>	<u>\$ 1,919,813</u>

See accompanying notes

# DOWNINGTOWN AREA SCHOOL DISTRICT

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

Year ended June 30, 2017

	<u>Major Fund</u> <u>Food Service</u> <u>Fund</u>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 3,649,446
<b>OPERATING EXPENSES</b>	
Salaries	101,866
Employee benefits	31,133
Purchased services - food management	2,221,280
Purchased property services	87,423
Other purchased services	11,239
Supplies - food costs	1,577,552
Depreciation	108,037
Other	81,802
<b>Total operating expenses</b>	<u>4,220,332</u>
<b>Operating loss</b>	<u>(570,886)</u>
<b>NONOPERATING REVENUES</b>	
Earnings on investments	7,513
State sources	76,165
Federal sources	618,783
<b>Total nonoperating revenues</b>	<u>702,461</u>
<b>Change in net position before capital contribution</b>	131,575
<b>Capital contribution</b>	<u>29,795</u>
<b>CHANGE IN NET POSITION</b>	161,370
<b>NET POSITION</b>	
Beginning of year	<u>1,758,443</u>
<b>End of year</b>	<u>\$ 1,919,813</u>

See accompanying notes

# DOWNINGTOWN AREA SCHOOL DISTRICT

## STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year ended June 30, 2017

	<u>Major Fund</u> <u>Food Service</u> <u>Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from charges for services	\$ 3,667,540
Cash payments to employees for services	(188,419)
Cash payments to suppliers for goods and services	(3,773,739)
Cash payments for other operating expenses	<u>(81,802)</u>
<b>Net cash used for operating activities</b>	<u>(376,420)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State sources	77,610
Federal sources	<u>472,796</u>
<b>Net cash provided by noncapital financing activities</b>	<u>550,406</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase of capital assets	<u>(68,886)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Earnings on investments	<u>7,513</u>
<b>Net increase in cash</b>	112,613
<b>CASH</b>	
Beginning of year	<u>627,854</u>
<b>Ending of year</b>	<u>\$ 740,467</u>
<b>Reconciliation of operating loss to net cash provided by (used for) operating activities:</b>	
Operating loss	\$ (570,886)
<b>Adjustments to reconcile operating loss to net cash provided by (used for) operating activities</b>	
Depreciation	108,037
Donated commodities used	150,163
(Increase) decrease in	
Due from other funds	(18,937)
Other receivables	487
Inventories	1,040
Deferred outflows - pension	(33,334)
Increase (decrease) in	
Accounts payable	(5,319)
Due to other funds	(3,192)
Accrued compensated absences	1,462
Unearned revenue	17,607
Net pension liability	(24,214)
Deferred inflows - pension	<u>666</u>
<b>Net cash used for operating activities</b>	<u>\$ (376,420)</u>
<b>SUPPLEMENTAL DISCLOSURE</b>	
<b>Noncash noncapital financing activity</b>	
USDA donated commodities	<u>\$ 150,163</u>
<b>Noncash capital and related financing activity</b>	
Capital contribution	<u>\$ 29,795</u>

See accompanying notes



**DOWNINGTOWN AREA SCHOOL DISTRICT**

**STATEMENT OF NET POSITION - FIDUCIARY FUNDS**

**June 30, 2017**

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	<b>Private Purpose Trust</b>	<b>Agency</b>
<b>ASSETS</b>		
Cash	<u>\$ 27,948</u>	<u>\$ 542,615</u>
<b>LIABILITIES</b>		
Due to student groups	-	\$ 540,973
Accounts payable	<u>-</u>	<u>1,642</u>
<b>Total liabilities</b>	<u>-</u>	<u>\$ 542,615</u>
<b>NET POSITION</b>		
Net position held in trust for scholarships	<u>\$ 27,948</u>	

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See accompanying notes

**DOWNTOWN AREA SCHOOL DISTRICT**

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

Year ended June 30, 2017

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	<u>Private-Purpose Trust Fund</u>
<b>ADDITIONS</b>	
Local contributions	6,390
<b>DEDUCTIONS</b>	
Scholarships awarded and fees paid	<u>13,140</u>
<b>CHANGE IN NET POSITION</b>	(6,750)
<b>NET POSITION</b>	
Beginning of year	<u>34,698</u>
End of year	<u>\$ 27,948</u>

# DOWNINGTOWN AREA SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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### (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, 2017

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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, 2017

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### ***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 account for the assets held by the District as a trustee or agent for individuals, private organizations and/or governmental units and are, therefore, not available to support the District's own programs. The District accounts for these assets in a private-purpose trust and agency fund. 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. The agency fund accounts for funds held on behalf of the students in the District. The measurement focus and basis of accounting for the private-purpose trust is the same as for proprietary funds, while the agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

### **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:

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# DOWNINGTOWN AREA SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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**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 2016-2017 was 27.182 mills (\$27.182 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 second and third installments are paid subsequent to the due dates.

### **Prepaid Items and Inventories**

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

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

### **Unearned Revenues**

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

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# DOWNINGTOWN AREA SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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### **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, 2017.

### **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 \$40 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 scheduled 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.

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# DOWNINGTOWN AREA SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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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.



# DOWNINGTOWN AREA SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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### 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.

### Implementation of New Accounting Pronouncements

Effective July 1, 2016, the District adopted the provisions of GASB Statement No. 73, *"Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68"*, GASB Statement No. 74 *"Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans"*, GASB Statement No. 76, *"The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments"*, GASB Statement No. 77, *"Tax Abatement Disclosures"*; GASB Statement No. 78, *"Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans"* and GASB Statement No. 79, *"Certain External Investment Pools and Pool Participants"*.

The objective of GASB Statement No. 76 is to identify—in the context of the current governmental financial reporting environment—the hierarchy of GAAP. The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

GASB Statement No. 77 is intended to improve financial reporting by requiring governments that enter into tax abatement agreements to disclose certain information about the agreements. The implementation of GASB Statement No. 77 had no impact on the financial statements of the District for the year ended June 30, 2017.

GASB Statement No. 78 amends the scope and applicability of GASB No. Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan meeting certain criteria. The implementation of GASB Statement No. 78 had no impact on the financial statements of the District for the year ended June 30, 2017.

The objective of GASB Statement No. 79 is to address for certain external investment pools and their participants the accounting and financial reporting implications that result from changes in the regulatory provisions referenced by previous accounting and financial reporting standards. The implementation of GASB Statement No. 79 had no impact on the financial statements of the District for the year ended June 30, 2017.

GASB Statement No. 73 establishes requirement for defined benefit pensions that are not within the scope of GASB Statement No. 68, *"Accounting and Financial Reporting for Pensions"*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of GASB Statement No. 68. It also amends certain provisions of GASB Statement No. 67, *"Financial Reporting for Pension Plans"*, and GASB Statement No. 68 for pension plans and pensions that are within their respective scopes.

GASB Statement No. 74 replaces GASB Statements No. 43, *"Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans"*, as amended, and GASB Statement No. 57, *"OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans"*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in GASB Statement No. 25, *"Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans"*, as amended, GASB Statement No. 43, and GASB Statement No. 50, *"Pension Disclosures"*.

# DOWNINGTOWN AREA SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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### New Accounting Pronouncements

GASB Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*" will be effective for the District for the year ended June 30, 2018. GASB Statement No. 75 replaces the requirements of GASB Statement No. 45 and requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Statement 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements.

GASB Statement No. 80 "*Blending Requirements for Certain Component Units-amendment of GASB Statement No. 14*" will be effective for the District for the year ended June 30, 2018. GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of GASB Statement No. 39, "*Determining Whether Certain Organizations Are Component Units*".

GASB Statement No. 81 "*Irrevocable Split-Interest Agreements*" will be effective for the District for the year ended June 30, 2018. GASB Statement No. 81 requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, GASB Statement No. 81 requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. GASB Statement No. 81 requires that a government recognize revenue when the resources become applicable to the reporting period.

GASB Statement No. 82 "*Pension Issues-an amendment of GASB Statements No. 67, No. 68 and No. 73*" will be effective for the District for the year ended June 30, 2018. GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

## (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 Housing Education Committee and the Senate Education Committee by September 15.

# DOWNINGTOWN AREA SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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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.

#### 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, 2017, the carrying amount of the District's deposits was \$35,349,768 and the bank balance was \$36,722,915. 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, \$1,000,487 was covered by federal depository insurance, and \$33,439,597 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, 2017, 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, 2017, 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	\$158,036,658	\$151,715,493	\$6,321,165	\$ -	\$ -
U.S. Treasury strips	<u>12,655,682</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,655,682</u>
	<u>\$170,692,340</u>	<u>\$151,715,493</u>	<u>\$6,321,165</u>	<u>\$ -</u>	<u>\$12,655,682</u>

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, 2017.

# DOWNINGTOWN AREA SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2017

### 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.

### 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 6**). The total carrying amounts and related bank balances of these cash and investment accounts are \$12,656,169 as of June 30, 2017, which are invested in U.S. Treasury securities.

## (4) PROPERTY TAXES

Taxes receivable consisted of the following as of June 30, 2017:

Real estate taxes	\$3,452,653
Real estate transfer taxes	337,410
Earned income taxes	182,503
Local services tax	<u>1,385</u>
	<u>\$3,973,951</u>

A detailed analysis of current year property tax revenues for the year ended June 30, 2017 are as follows:

Assessed value, July 1, 2016	\$5,374,998,255
Millage rate	<u>0.027182</u>
<b>Gross property tax levy</b>	<b>146,103,203</b>
<b>Add:</b>	
Penalties paid	207,646
<b>Less:</b>	
Discounts	(2,580,053)
Assessment changes and exonerations	(752,970)
Property tax relief allocation	(3,906,948)
Taxes uncollected at December 31, 2016 and liened	<u>(2,254,092)</u>
	<u>\$ 136,816,786</u>

## (5) INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2017 is as follows:

<u>Receivable To</u>	<u>Amount</u>	<u>Payable From</u>	<u>Amount</u>
Capital Projects Fund	\$25,766,535	General Fund	\$25,766,535
Food Service Fund	37,573	General Fund	37,573
General Fund	<u>8,163</u>	Food Service Fund	<u>8,163</u>
	<u>\$25,812,271</u>		<u>\$25,812,271</u>

# DOWNINGTOWN AREA SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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

A summary of interfund transfers for the year ended June 30, 2017 is as follows:

<u>Transfers In</u>	<u>Amount</u>	<u>Transfers Out</u>	<u>Amount</u>
Capital Projects Fund (non-reimbursement)	\$16,974,370	General Fund (non-reimbursement)	\$16,974,370
Capital Projects Fund (reimbursement for technology)	4,324,061	General Fund (reimbursement for technology)	4,324,061
Capital Projects Fund (reimbursement for facilities)	3,800,007	General Fund (reimbursement for facilities)	3,800,007
Capital Projects Fund (reimbursement for curriculum/ other)	662,346	General Fund (reimbursement for curriculum/ other)	662,346
Debt Service Fund (reimbursement)	<u>7,000,000</u>	Capital Projects Fund (reimbursement)	<u>7,000,000</u>
	<u>\$32,760,784</u>		<u>\$32,760,784</u>

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

### (6) CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities</b>				
Capital assets not being depreciated				
Construction in progress	\$ 5,813,788	\$ 8,792,164	\$11,346,324	\$ 3,259,628
Land	<u>41,367,984</u>	<u>-</u>	<u>-</u>	<u>41,367,984</u>
<b>Total capital assets not being depreciated</b>	<u>47,181,772</u>	<u>8,792,164</u>	<u>11,346,324</u>	<u>44,627,612</u>
Capital assets being depreciated				
Land improvements	18,790,244	1,080,294	-	19,870,538
Buildings and improvements	324,450,460	4,555,851	-	329,006,311
Furniture and equipment	<u>27,930,950</u>	<u>5,834,687</u>	<u>3,465,400</u>	<u>30,300,237</u>
<b>Total capital assets being depreciated</b>	<u>371,171,654</u>	<u>11,470,832</u>	<u>3,465,400</u>	<u>379,177,086</u>
<b>Less accumulated depreciation for</b>				
Buildings and improvements	(101,769,874)	(7,675,923)	-	(109,445,797)
Land improvements	(12,313,743)	(1,032,786)	-	(13,346,529)
Furniture and equipment	<u>(14,823,837)</u>	<u>(4,732,887)</u>	<u>(3,465,400)</u>	<u>(16,091,324)</u>
<b>Total accumulated depreciation</b>	<u>(128,907,454)</u>	<u>(13,441,596)</u>	<u>(3,465,400)</u>	<u>(138,883,650)</u>
<b>Total capital assets being depreciated, net</b>	<u>242,264,200</u>	<u>(1,970,764)</u>	<u>-</u>	<u>240,293,436</u>
<b>Governmental activities, net</b>	<u>\$ 289,445,972</u>	<u>\$ 6,821,400</u>	<u>\$11,346,324</u>	<u>\$ 284,921,048</u>

# DOWNTOWN AREA SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2017

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities</b>				
Machinery and equipment	\$ 3,018,317	\$ 98,681	\$ 52,845	\$ 3,064,153
Less accumulated depreciation	<u>(2,007,476)</u>	<u>(108,037)</u>	<u>(52,845)</u>	<u>(2,062,668)</u>
<b>Business-type activities, net</b>	<u>\$ 1,010,841</u>	<u>\$ (9,356)</u>	<u>\$ -</u>	<u>\$ 1,001,485</u>

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

<b>Governmental activities</b>	
Unallocated	<u>\$13,441,596</u>
<b>Business-type activities</b>	
Food service	<u>\$ 108,037</u>

As of June 30, 2017, the District had outstanding construction commitments totaling \$781,392 for various renovations to District buildings.

### (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, 2017 consisted of the following:

<u>Description</u>	<u>Interest Rate(s)</u>	<u>Original Issue Amount</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
<b>General obligation bonds</b>				
Series of 2009AA	2.00% - 5.00%	\$67,070,000	11/01/2029	\$ 36,190,000
Series of 2010	Variable	\$23,680,000	05/01/2030	<u>17,110,000</u>
<b>Total general obligation bonds</b>				<u>53,300,000</u>
<b>General obligation note</b>				
Series of 2006A	Variable	\$19,900,000	08/01/2021	19,000,000
Series of 2006C	Variable	\$15,200,000	08/01/2022	<u>15,200,000</u>
				<u>34,200,000</u>
<b>Qualified school construction bonds</b>				
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>
<b>Total qualified school construction bonds</b>				<u>40,069,000</u>
<b>Total general obligation debt</b>				<u>\$127,569,000</u>

Variable rate debt bears interest at a rate that is adjusted weekly based upon rates published by the Securities Industry and Financial Markets Association.

# DOWNINGTOWN AREA SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2017

### 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, 2017:

	<u>Balance July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2017</u>	<u>Amount Due Within One Year</u>
<b>Governmental activities</b>					
<b>General obligation debt</b>					
Series of 2009AA	\$ 40,720,000	\$ -	\$4,530,000	\$ 36,190,000	\$4,745,000
Series of 2010	18,065,000	-	955,000	17,110,000	995,000
<b>General obligation notes</b>					
Series of 2006A	19,100,000	-	100,000	19,000,000	100,000
Series of 2006C	15,200,000	-	-	15,200,000	-
<b>Qualified school construction     bonds</b>					
Series of 2010A	28,303,000	-	-	28,303,000	-
Series of 2011C	11,766,000	-	-	11,766,000	-
<b>Subtotal</b>	133,154,000	-	5,585,000	127,569,000	5,840,000
Bond premiums	3,228,606	-	376,767	2,851,839	376,767
Bond discounts	(114,844)	-	(8,963)	(105,881)	(8,963)
<b>Total general     obligation debt</b>	<u>\$136,267,762</u>	<u>\$ -</u>	<u>\$5,952,804</u>	<u>\$130,314,958</u>	<u>\$6,207,804</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>
2018	\$ 5,840,000	\$ 3,909,537	\$ 2,399,632	\$ 12,149,169
2019	9,880,000	3,549,855	2,399,632	15,829,487
2020	10,195,000	3,067,306	2,399,632	15,661,938
2021	10,605,000	2,607,747	2,399,632	15,612,379
2022	12,325,000	2,093,979	2,399,632	16,818,611
2023-2027	26,665,000	5,427,157	11,998,160	44,090,317
2028-2030	52,059,000	1,010,766	(36,199,868)	16,869,898
	<u>\$127,569,000</u>	<u>\$21,666,347</u>	<u>\$(12,203,548)</u>	<u>\$137,031,799</u>

# DOWNINGTOWN AREA SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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 2022, \$9,828,445 from 2023-2027 and \$2,180,152 from 2028-2030.

### In-Substance Defeasance

The District has defeased a portion of its general obligation bonds, Series of 2011, by creating a separate irrevocable trust fund. District cash or new debt proceeds have been used to purchase U.S. Government securities that were placed in the trust fund. The investments and earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and, therefore, removed as a liability from the District's government-wide financial statements. As of June 30, 2017, the amount of defeased outstanding debt was as follows:

<u>Description</u>	<u>Call Date</u>	<u>Interest Rates</u>	<u>Principal Outstanding</u>
General obligation bonds Series of 2011	04/01/2018	0.62% - 2.85%	\$3,495,000

## (8) DERIVATIVE FINANCIAL INSTRUMENTS

### Interest Rate Swap Agreements

The District uses swap contracts that have fixed interest payments made in exchange for variable interest payments received based on an underlying interest rate index. Hedging derivatives instruments are used to reduce financial risks, such as offsetting increases in variable interest rate costs of the hedged item. These derivative instruments are evaluated to determine if they are effective in significantly reducing the identified financial risk at year end. If the derivative is determined to be an effective hedge, its fair value is an asset or liability with a corresponding offset to deferred outflows or inflows of resources on the statement of net position. Deferred outflows or inflows of resources constitute changes in fair values of effectively-hedged derivative instruments. If the derivative instruments are determined to be ineffective, they are considered investment derivatives in which their fair values are recognized against investment income in the statement of activities.

At June 30, 2017, the District had the following derivative financial instruments outstanding:

	<u>Changes in Fair Value</u>		<u>Fair Value at June 30, 2017</u>		<u>Notional</u>
	<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	
<b>Governmental Activities</b>					
Cash flow hedges					
Pay fixed interest rate swaps	Deferred outflows of resources	\$3,040,335	Debt	\$(5,735,798)	\$51,310,000

The District currently has two interest rate swap agreements. The District utilized a regression method analysis to evaluate the hedge effectiveness for their interest rate swap portfolio. This method evaluates effectiveness by measuring the statistical relationship between the fair value or cash flows of the interest rate swap and the item it is hedged against. The analysis confirmed that the changes in cash flows of the interest rate swap instrument substantially offsets the changes in cash flows of the item hedged against and met within reason all required criteria.

### Fair Value

The fair value of the interest rate swaps were derived from proprietary models based upon well recognized financial principles and reasonable estimates about relevant future market conditions. The interest rate swaps were valued based upon Level 2 inputs.



# DOWNINGTOWN AREA SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2017

### Objective and Terms of Hedging Derivative Instruments

<u>Type</u>	<u>Objective</u>	<u>Notional Amount</u>	<u>Effective Date</u>	<u>Maturity Date</u>	<u>Terms</u>	<u>Counterparty Credit Rating</u>
Pay fixed interest rate swaps	Hedge changes in cash flows on the GOB Series of 2006A and 2006C	\$34,200,000	02/01/2011	08/01/2022	Pay 3.5230%; receives 70% of 3-month LIBOR	AA/AA-
Pay fixed interest rate swaps	Hedge changes in cash flows on the GOB Series of 2010	\$17,110,000	11/01/2010	05/01/2030	Pay 3.6949%; receives 70% of 3-month LIBOR	AA/AA-

### Credit Risk

As of June 30, 2017, the District was not exposed to credit risk because the swaps had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the District would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was rated AA by Fitch Ratings and AA- by Standard & Poor's as of June 30, 2017.

### Interest Rate Risk

The District is exposed to interest rate risk on its swap agreements. On the District's pay-fixed interest rate swaps, as the London Inter-Bank Offered Rate (LIBOR) decreases, the District's net payment on the swap increases.

### Basis Risk

The District is exposed to basis risk on its pay-fixed interest rate swaps because the variable rate payments received by the District on these hedging derivative instruments are based on a rate or index other than interest rates the District pays on its hedged variable rate debt, which is remarketed every week.

### Termination Risk

The District or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If at the time of termination the swap has a negative fair value, the District would be liable to the counterparty for a payment equal to the swap's fair value.

### Swap Payments and Associated Debt

Using rates as of June 30, 2017, debt service requirements for the variable rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows. As rates vary, variable rate bond interest payments and net swap payments will vary.

<u>Year ending June 30,</u>	<u>Variable Rate Bonds</u>		<u>Interest Rate Swaps, Net</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>		
2018	\$ 1,095,000	\$ 922,296	\$1,350,014	\$ 3,367,310
2019	1,140,000	899,044	1,319,685	3,358,729
2020	8,490,000	763,734	1,220,369	10,474,103
2021	8,835,000	612,676	993,818	10,441,494
2022	10,490,000	396,040	470,821	11,356,861
2023-2027	16,400,000	959,963	1,304,055	18,664,018
2028-2030	4,860,000	168,392	216,153	5,244,545
	<u>\$51,310,000</u>	<u>\$4,722,145</u>	<u>\$6,874,915</u>	<u>\$62,907,060</u>

# DOWNINGTOWN AREA SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2017

### (9) NONCURRENT LIABILITIES

The following summarizes the changes in noncurrent liabilities for the year ended June 30, 2017:

	<u>Balance July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2017</u>
<b>Governmental activities</b>				
Compensated absences	\$ 2,736,681	\$ 353,598	\$ -	\$ 3,090,279
OPEB obligation (See Note 10)	6,758,791	2,018,626	915,163	7,862,254
Net pension liability (See Note 11)	<u>277,252,626</u>	<u>46,821,760</u>	<u>-</u>	<u>324,074,386</u>
<b>Total governmental activities</b>	<u>286,748,098</u>	<u>49,193,984</u>	<u>915,163</u>	<u>335,026,919</u>
<b>Business-type activities</b>				
Compensated absences	22,568	1,462	-	24,030
Net pension liability (See Note 11)	<u>398,374</u>	<u>-</u>	<u>24,214</u>	<u>374,160</u>
<b>Total business-type activities</b>	<u>420,942</u>	<u>1,462</u>	<u>24,214</u>	<u>398,190</u>
<b>Total noncurrent liabilities</b>	<u>\$287,169,040</u>	<u>\$49,195,446</u>	<u>\$939,377</u>	<u>\$335,425,109</u>

### (10) OTHER POST-EMPLOYMENT BENEFITS

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

#### 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.

#### Annual OPEB Cost and Net OPEB Obligation

The District's annual other post-employment benefit cost (expense) is calculated based on the annual required contribution of the employer ("**ARC**"), an amount actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2017, 2016 and 2015 were as follows:

<u>Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2017	\$2,018,626	45.34%	\$7,862,754
2016	\$1,549,674	54.75%	\$6,758,791
2015	\$1,624,561	50.21%	\$6,057,549

# DOWNINGTOWN AREA SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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The following table shows the components of the District's OPEB cost for the year, the amount actually contributed by the District and changes in the District's net OPEB obligation:

Annual required contribution	\$ 2,861,457
Interest on net OPEB obligation	304,146
Adjustment to annual required contribution	<u>(1,146,977)</u>
Annual OPEB cost (expense)	2,018,626
Contributions made	<u>(915,163)</u>
Increase in net OPEB obligation	1,103,463
Net OPEB obligation – beginning of year	<u>6,758,791</u>
Net OPEB obligation – end of year	<u>\$ 7,862,254</u>

### **Funded Status and Funding Progress**

As of July 1, 2016, the most recent actuarial valuation, the actuarial accrued liability for benefits was \$12,002,202, all of which was unfunded. The covered payroll (annual payroll of active employees receiving benefits) was \$83,688,223 and the ratio of the unfunded actuarial accrued liability ("**UAAL**") to the covered payroll was 14.34%.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and benefit cost trends. Amounts determined regarding the funded status and the annual required contribution of the District are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information about whether the actuarial value of assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

### **Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on substantive benefits (the benefits as understood by the District and employees) and included the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the District and retirees to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial liabilities and the actuarial value of assets, consistent with the long-term perspective of calculations.

In the most recent actuarial valuation, the entry age normal method was used. The actuarial assumptions include a 4.50% discount rate and an annual healthcare cost trend rate of 6.50%, decreasing 0.50% per year to an ultimate rate of 5.50% in 2018 and later. The UAAL is being amortized based on the level dollar, 7 year closed period.

## **(11) 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.

# DOWNINGTOWN AREA SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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### Plan Description

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

### Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year credited service; (b) age 60 with 30 more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2.00% 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. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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

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

### Contributions

#### Member Contributions

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

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

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

# DOWNINGTOWN AREA SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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Members who joined the system after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

### **Employer Contributions**

The District's contractually required contribution rate for fiscal year ended June 30, 2017 was 29.20% 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 \$25,160,320 for the year ended June 30, 2017.

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

At June 30, 2017, the District reported a liability of \$324,448,546 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by rolling forward the system's total pension liability as of June 30, 2015 to June 30, 2016. 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, 2016, the District's proportion was 0.6547 percent, which was an increase of 0.0137 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$11,526,516. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Net difference between expected and actual experience	\$ -	\$2,702,641
Changes in assumptions	11,711,892	-
Net difference between projected and actual investment earnings	18,083,272	-
Changes in proportions	11,455,948	-
Contributions subsequent to the measurement date	<u>25,160,320</u>	<u>-</u>
	<b><u>\$66,411,432</u></b>	<b><u>\$2,702,641</u></b>

\$25,160,320 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, 2017. 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:**

2018	\$ 9,011,249
2019	9,011,249
2020	12,521,047
2021	<u>8,004,926</u>
	<b><u>\$38,548,471</u></b>

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# DOWNINGTOWN AREA SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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### Actuarial Assumptions

The total pension liability as of June 30, 2016 was determined by rolling forward the system's total pension liability as the June 30, 2015 actuarial valuation to June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

Changes in assumptions used in measurement of the total pension liability beginning June 30, 2016

- The investment rate of return was adjusted from 7.50% to 7.25%
- The inflation assumption was decreased from 3.00% to 2.75%
- Salary growth changed from an effective average of 5.50%, which was comprised of inflation of 3.00%, real wage growth and for merit or seniority increases of 2.50%, to an 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 modified from the RP-2000 combined healthy annuitant tables (male and female) with age set back 3 years for both males and females to 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. For disabled annuitants the RP-2000 combined disabled Tables (male and female) with age set back 7 years for males and 3 years for females to 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, 2016 valuation were based on the experience study that was performed for the five-year period ending June 30, 2015. The recommended assumptions changes based on this experience study were adopted by the Board at its June 10, 2016 Board meeting, and were effective with the June 30, 2016 actuarial valuation.

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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	22.5 %	5.3%
Fixed income	28.5 %	2.1%
Commodities	8.0 %	2.5%
Absolute return	10.0 %	3.3%
Risk parity	10.0 %	3.9%
Infrastructure/MLPs	5.0 %	4.8%
Real estate	12.0 %	4.0%
Alternative investments	15.0 %	6.6%
Cash	3.0 %	0.2%
Financing (LIBOR)	(14.0)%	0.5%
	<u>100.0 %</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, 2016.

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# DOWNINGTOWN AREA SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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### 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

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The following represents the net pension liability, calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.50%) or 1-percentage point higher (8.50%) than the current rate:

	<u>1% Decrease</u> <u>6.25%</u>	<u>Current</u> <u>Discount</u> <u>Rate</u> <u>7.25%</u>	<u>1% Increase</u> <u>8.25%</u>
District's proportionate share of the net pension liability	\$396,888,000	\$324,448,546	\$263,578,000

### Pension Plan Fiduciary Net Position

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

## (12) 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 2016-2017 was \$2,731,670.

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.

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# DOWNINGTOWN AREA SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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### (13) 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.

### (14) 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 2016-2017 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

#### 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, 2017 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, 2017:

Insurance claims liability – beginning of year	\$ 2,174,302
Current year insurance claims and changes in estimates	15,807,278
Insurance claims paid	<u>(14,707,097)</u>
Insurance claims liability – end of year	<u>\$ 3,274,483</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, 2017, the District is not aware of any additional assessments relating to SDIC.

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# DOWNINGTOWN AREA SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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### (15) PRIOR PERIOD ADJUSTMENTS

During 2016-2017, the District made prior period adjustments to previously issued financial statements related to the accounting of its long-term debt associated with the State Public School Building Authority Qualified School Construction Bonds program. These prior period adjustments and their effect on net position at July 1, 2016 are summarized in the following table:

	<b>Governmental Activities Net Position</b>	<b>Debt Service Fund Fund Balance</b>
Net position/fund balance at January 1, 2016, as previously reported	\$69,499,422	\$33,893,669
Prior period adjustment to Record investments in debt sinking fund	11,148,172	11,148,172
Adjust principal of long-term debt for sinking fund payments improperly applied to principal	<u>(9,803,917)</u>	<u>-</u>
Net position/fund balance at January 1, 2016, as restated	<u>\$70,843,677</u>	<u>\$45,041,841</u>

### (16) SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 5, 2017, the date on which the financial statements were available to be issued. Except as noted below, no material subsequent events have occurred since June 30, 2017 that required recognition or disclosure in the financial statements.

On July 27, 2017, the District issued \$16,910,000 of general obligation bonds, Series of 2017, the proceeds from which along with a cash contribution of \$7,000,000 were used to currently refund the District's general obligation bonds, Series of 2009AA, in the amount of \$24,215,000 and to pay for the costs of issuance

















**DOWNINGTOWN AREA SCHOOL DISTRICT**

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

Year ended June 30, 2017

	<b>Capital Reserve Fund</b>	<b>Capital Projects Fund</b>	<b>Total</b>
<b>REVENUES</b>			
Local sources	\$ 205,913	\$ 407,082	\$ 612,995
<b>EXPENDITURES</b>			
Current			
Instruction	-	3,773,352	3,773,352
Support services	-	680,104	680,104
Operation of noninstructional services	-	277,889	277,889
Facilities acquisition, construction and improvement services	-	4,055,069	4,055,069
<b>Total expenditures</b>	<u>-</u>	<u>8,786,414</u>	<u>8,786,414</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>205,913</u>	<u>(8,379,332)</u>	<u>(8,173,419)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Refund of prior year expenditures	-	141,243	141,243
Transfers in (reimbursement)	-	8,786,414	8,786,414
Transfers in (non-reimbursement)	-	16,974,370	16,974,370
Transfers out (reimbursement)	-	(7,000,000)	(7,000,000)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>18,902,027</u>	<u>18,902,027</u>
<b>NET CHANGE IN FUND BALANCES</b>	205,913	10,522,695	10,728,608
<b>FUND BALANCES</b>			
Beginning of year	<u>25,145,560</u>	<u>77,242,804</u>	<u>102,388,364</u>
<b>End of year</b>	<u>\$ 25,351,473</u>	<u>\$ 87,765,499</u>	<u>\$ 113,116,972</u>

**DOWNINGTOWN AREA SCHOOL DISTRICT**

**BORROWING BASE CALCULATION - GENERAL FUND**

Year ended June 30,

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	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>Gross revenues received - General Fund</b>	<u>\$ 204,596,003</u>	<u>\$ 211,968,925</u>	<u>\$ 221,407,897</u>
<b>Deductions pursuant to Section 102 (c)(16) of Act 185 of 1972;</b>			
(i) Subsidy - rentals and sinking fund payments	782,427	591,455	4,746,576
(ii) Non-recurring receipts	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total deductions</b>	<u>782,427</u>	<u>591,455</u>	<u>4,746,576</u>
<b>TOTAL REVENUES AS DEFINED IN SECTION (102(c)(16) OF ACT 185 OF 1972</b>	<u>\$ 203,813,576</u>	<u>\$ 211,377,470</u>	<u>\$ 216,661,321</u>
<b>TOTAL REVENUES FOR PAST THREE YEARS</b>	<u>\$ 594,323,399</u>	<u>\$ 613,214,077</u>	<u>\$ 631,852,367</u>
<b>BORROWING BASE - AVERAGE ANNUAL REVENUES</b>	<u>\$ 198,107,800</u>	<u>\$ 204,404,692</u>	<u>\$ 210,617,456</u>
<b>DEBT LIMIT - 225% OF BORROWING BASE</b>	<u>\$ 445,742,549</u>	<u>\$ 459,910,558</u>	<u>\$ 473,889,275</u>

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# DOWNINGTOWN AREA SCHOOL DISTRICT

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

June 30,

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>REVENUES</b>										
Local sources	\$168,019,218	\$165,798,902	\$161,347,717	\$158,062,114	\$155,165,778	\$150,471,909	\$146,373,855	\$144,795,089	\$141,835,270	\$140,460,808
State sources	50,415,422	43,445,079	40,489,476	38,795,263	35,850,554	36,203,487	34,875,076	34,458,093	35,339,348	31,863,050
Federal sources	2,973,257	2,724,944	2,758,810	3,057,783	3,012,007	3,140,124	5,757,006	3,925,070	919,583	926,430
<b>Total revenues</b>	<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>	<u>187,005,937</u>	<u>183,178,252</u>	<u>178,094,201</u>	<u>173,250,288</u>
<b>EXPENDITURES</b>										
Instruction	126,339,494	122,852,991	114,337,036	107,576,872	102,566,445	100,946,540	101,266,153	99,285,913	94,539,968	90,819,066
Support services	60,692,658	58,164,456	54,859,555	50,494,222	47,672,427	46,149,161	48,032,336	45,981,821	45,689,080	42,808,857
Operation of noninstructional services	3,952,347	3,781,391	3,742,258	3,418,070	3,405,943	3,234,836	3,353,499	1,081,001	1,163,735	661,828
Facilities acquisition, construction and depreciation	353,018	311,756	187,621	300,250	1,558,131	3,000,000	-	-	-	-
Debt service	11,831,039	13,361,677	13,887,128	16,801,219	27,185,883	26,836,505	18,287,185	18,786,810	19,078,257	17,567,225
<b>Total expenditures</b>	<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>	<u>170,939,173</u>	<u>165,135,545</u>	<u>160,471,040</u>	<u>151,856,976</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<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>	<u>16,066,764</u>	<u>18,042,707</u>	<u>17,623,161</u>	<u>21,393,312</u>
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers in	-	-	-	-	-	-	-	-	56,767	-
Transfers out	(25,760,784)	(13,127,754)	(19,572,644)	(25,071,254)	(20,745,138)	(21,931,206)	(6,374,284)	(16,367,662)	(17,294,983)	(18,027,119)
Sale of/compensation for capital assets	182,098	45,414	37,165	17,064	3,675	16,100	-	-	-	-
Proceeds from extended-term financing	-	-	-	-	-	-	713,040	-	-	-
Refunds of prior years expenditures (revenues)	69,585	(76,904)	119,098	239,113	384	(10,642)	36,170	55,209	165,470	(230,295)
<b>Total other financing sources (uses)</b>	<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>	<u>(5,625,074)</u>	<u>(16,312,453)</u>	<u>(17,072,746)</u>	<u>(18,257,414)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<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>	<u>10,441,690</u>	<u>1,730,254</u>	<u>550,415</u>	<u>3,135,898</u>
<b>FUND BALANCE</b>										
Beginning of year	24,611,360	24,273,950	26,107,926	29,598,476	38,700,045	50,977,315	40,180,859	38,450,605	37,733,000	34,580,483
Prior period adjustment	-	-	-	-	-	-	-	-	-	16,619
<b>Fund balance as restated</b>	<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>	<u>40,535,625</u>	<u>38,450,605</u>	<u>37,900,190</u>	<u>34,597,102</u>
<b>End of year</b>	<u>\$ 17,341,600</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
	-	-	-	-	-	354,766	-	167,190	-	-
	24,611,360	24,273,950	26,107,926	29,598,476	38,700,045	50,977,315	40,180,859	38,450,605	37,733,000	

# DOWNINGTOWN AREA SCHOOL DISTRICT

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

June 30,

	Original Budget		Actual		Original Budget		Actual		Original Budget		Actual	
<b>REVENUES</b>												
Local sources	\$ 163,745,222	\$ 168,019,218	\$ 158,782,552	\$ 165,798,902	\$ 155,097,493	\$ 161,347,717	\$ 151,319,934	\$ 158,062,114	\$ 151,697,123	\$ 155,165,778		
State sources	2017 46,198,778	50,415,422	2016 43,095,448	43,445,079	2015 40,717,507	40,489,476	2014 38,440,601	38,795,263	2013 36,648,877	35,850,554		
Federal sources	1,168,000											
<b>Total revenues</b>	<b>211,112,000</b>	<b>221,407,897</b>	<b>202,803,000</b>	<b>211,968,925</b>	<b>196,835,000</b>	<b>204,596,003</b>	<b>191,180,000</b>	<b>199,915,160</b>	<b>189,804,000</b>	<b>194,028,339</b>		
<b>EXPENDITURES</b>												
Regular programs	97,996,065	90,304,527	93,665,914	88,830,399	90,286,288	82,933,616	84,642,863	77,480,067	83,498,254	73,925,443		
Special programs	29,791,057	28,905,873	27,732,544	26,945,686	25,849,778	24,485,681	24,118,246	22,947,710	24,799,582	21,085,193		
Vocational programs	6,978,674	5,553,718	6,157,309	5,080,000	5,368,819	5,369,205	6,967,393	5,728,020	6,977,993	6,176,446		
Other instructional programs	1,744,527	1,557,847	1,582,643	1,413,430	1,824,222	1,550,445	1,982,521	1,425,769	1,636,066	1,379,363		
Nonpublic school programs	12,000	17,529	15,000	1,770	-	-	-	-	-	-		
Pupil personnel services	7,480,586	7,443,942	7,022,511	7,033,625	6,646,435	6,644,737	6,099,362	6,045,437	5,706,891	5,728,429		
Instructional staff services	5,738,259	6,262,051	5,521,646	5,525,255	5,608,033	5,159,824	5,463,142	4,420,735	5,085,592	4,460,467		
Administrative services	12,104,043	12,550,594	11,449,044	11,436,417	10,821,188	10,594,845	10,170,156	9,479,748	9,173,297	8,826,275		
Pupil health	2,876,200	2,791,701	2,846,521	2,583,197	3,010,261	2,569,803	2,829,823	2,600,594	2,738,077	2,633,840		
Business services	2,041,382	1,981,294	1,895,079	1,692,735	1,563,524	1,687,424	1,411,977	1,375,160	1,263,848	1,298,612		
Operation and maintenance of plant services	14,851,685	14,116,920	14,335,773	14,599,437	13,604,300	13,749,844	12,681,294	13,085,122	12,960,461	11,694,446		
Student transportation services	11,371,606	11,259,811	11,084,751	11,378,180	11,118,147	10,926,856	10,048,899	10,031,148	10,223,581	9,572,089		
Central and other support services	4,387,526	4,286,345	4,143,691	3,915,610	4,093,679	3,526,222	3,637,940	3,456,278	3,599,481	3,458,269		
Student activities	3,493,302	3,874,670	3,299,563	3,706,256	3,244,593	3,675,858	3,114,404	3,400,821	3,209,497	3,377,064		
Community services	83,718	77,677	44,000	75,135	52,250	66,400	51,000	17,249	64,600	28,879		
Facilities acquisition, construction and improvement	350,000	353,018	485,000	311,756	1,468,255	187,621	300,000	300,250	-	1,558,131		
Debt service	10,000,000											
<b>Total expenditures</b>	<b>210,592,000</b>	<b>203,168,556</b>	<b>206,783,000</b>	<b>198,472,271</b>	<b>200,775,000</b>	<b>187,013,598</b>	<b>188,440,000</b>	<b>178,590,633</b>	<b>187,031,000</b>	<b>182,388,829</b>		
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>520,000</b>	<b>18,239,341</b>	<b>(3,980,000)</b>	<b>13,496,654</b>	<b>(3,940,000)</b>	<b>17,582,405</b>	<b>2,740,000</b>	<b>21,324,527</b>	<b>2,773,000</b>	<b>11,639,510</b>		
<b>OTHER FINANCING SOURCES (USES)</b>	<b>11,831,039</b>	<b>15,500,000</b>	<b>13,361,677</b>	<b>16,190,000</b>	<b>13,887,128</b>	<b>15,586,000</b>	<b>16,801,219</b>	<b>16,500,000</b>	<b>27,185,883</b>	<b>3,675</b>		
Sale of/compensation for capital assets	-	182,098	-	45,414	-	37,165	-	17,064	-	3,675		
Proceeds from extended-term financing	-	-	-	-	-	-	-	-	-	-		
Refund of prior year expenditures (revenues)	-	69,585	(20,000)	(76,904)	(60,000)	119,098	(60,000)	239,113	(80,000)	384		
Transfers in	-	-	-	-	-	-	-	-	-	-		
Transfers out	-	(25,760,784)	-	(13,127,754)	-	(19,572,644)	(6,000,000)	(25,071,254)	(5,980,000)	(20,745,138)		
Budgetary reserve	(500,000)											
<b>Total other financing sources (uses)</b>	<b>(500,000)</b>	<b>(25,509,101)</b>	<b>(520,000)</b>	<b>(13,159,244)</b>	<b>(560,000)</b>	<b>(19,416,381)</b>	<b>(6,560,000)</b>	<b>(24,815,077)</b>	<b>(6,560,000)</b>	<b>(20,741,079)</b>		
<b>NET CHANGE IN FUND BALANCE</b>	<b>20,000</b>	<b>(7,269,760)</b>	<b>(4,500,000)</b>	<b>337,410</b>	<b>(4,500,000)</b>	<b>(1,833,976)</b>	<b>(3,820,000)</b>	<b>(3,490,550)</b>	<b>(3,787,000)</b>	<b>(9,101,569)</b>		
<b>FUND BALANCE</b>		(500,000)		(500,000)		(500,000)		(500,000)		(500,000)		
Beginning of year	24,500,000	24,611,360	26,500,000	24,273,950	56,606,800	26,107,926	51,820,000	29,598,476	23,950,000	38,700,045		
Prior period adjustment	-											
<b>Fund balance as restated</b>	<b>24,500,000</b>	<b>24,611,360</b>	<b>26,500,000</b>	<b>24,273,950</b>	<b>56,606,800</b>	<b>26,107,926</b>	<b>51,820,000</b>	<b>29,598,476</b>	<b>23,950,000</b>	<b>38,700,045</b>		
<b>End of year</b>	<b>\$ 24,520,000</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>		

17,341,600 22,000,000 24,611,360 52,106,800 24,273,950 48,000,000 26,107,926 20,163,000 29,598,476

# DOWNINGTOWN AREA SCHOOL DISTRICT

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

June 30,

	Original Budget		Actual		Original Budget		Actual		Original Budget		Actual	
<b>REVENUES</b>												
Local sources	\$ 148,233,912	\$ 150,471,909	\$ 147,481,628	\$ 146,373,855	\$ 143,943,049	\$ 144,795,089	\$ 140,037,014	\$ 141,835,270	\$ 135,085,133	\$ 140,460,808		
State sources	2012 34,933,500	36,203,487	2011 37,898,372	34,875,076	2010 35,462,351	34,458,093	2009 35,809,986	35,339,348	2008 29,718,317	31,863,050		
Federal sources	1,549,025											
<b>Total revenues</b>	<b>184,716,437</b>	<b>189,815,520</b>	<b>187,792,000</b>	<b>187,005,937</b>	<b>182,860,000</b>	<b>183,178,252</b>	<b>176,850,000</b>	<b>178,094,201</b>	<b>165,600,000</b>	<b>173,250,288</b>		
<b>EXPENDITURES</b>												
Regular programs	76,800,064	71,789,600	74,462,903	69,548,479	73,480,639	67,953,524	72,201,942	65,273,933	66,874,672	64,072,900		
Special programs	24,431,112	21,050,519	25,523,433	23,042,260	23,705,229	22,562,603	22,055,877	20,982,932	20,142,290	18,457,024		
Vocational programs	7,449,427	8,832,000	8,555,098	3,455,887	8,925,921	6,028,050	6,719,080	6,798,520	6,986,430	6,540,624		
Other instructional programs	1,508,031	1,567,525	1,796,365	1,630,027	1,834,071	1,841,734	1,950,670	1,569,577	1,734,179	1,748,518		
Nonpublic school programs	-	-	-	-	-	-	-	-	-	-		
Pupil personnel services	5,492,904	5,298,326	5,395,672	5,264,519	5,238,427	4,901,664	4,987,874	4,614,338	4,978,490	4,557,148		
Instructional staff services	5,450,065	4,289,526	5,651,230	4,752,581	5,477,349	4,399,932	5,272,455	4,405,856	5,570,994	5,116,112		
Administrative services	8,654,446	8,290,794	8,952,895	9,139,590	8,924,838	8,107,959	8,754,497	8,179,295	8,033,570	7,867,119		
Pupil health	2,490,275	2,516,052	1,562,265	1,473,162	1,521,437	1,402,657	1,422,257	1,352,018	1,337,914	1,262,219		
Business services	1,182,131	1,137,795	1,231,514	1,215,356	1,066,887	1,212,783	1,081,921	1,206,691	1,073,446	1,065,537		
Operation and maintenance of plant services	13,141,927	11,409,836	14,217,981	13,121,864	13,962,806	13,319,612	13,653,560	13,930,075	13,645,950	13,111,495		
Student transportation services	9,815,366	9,900,783	9,718,010	9,613,066	9,361,340	9,334,729	8,687,433	9,272,617	8,127,508	8,465,847		
Central and other support services	3,747,757	3,306,049	3,369,557	3,452,198	2,769,884	3,302,485	2,329,587	2,728,190	1,560,561	1,363,380		
Student activities	3,054,297	3,203,140	3,068,971	3,295,941	766,411	1,029,285	781,184	1,119,871	736,897	620,791		
Community services	70,100	31,696	82,306	57,558	69,961	51,716	89,753	43,864	59,395	41,037		
Facilities acquisition, construction and improvement	-	3,000,000	-	-	-	-	-	-	-	-		
Debt service	18,000,000											
<b>Total expenditures</b>	<b>180,902,802</b>	<b>180,167,042</b>	<b>182,003,000</b>	<b>170,939,173</b>	<b>175,080,000</b>	<b>165,135,545</b>	<b>169,980,000</b>	<b>160,471,040</b>	<b>160,600,000</b>	<b>151,856,976</b>		
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>3,813,635</b>	<b>9,648,478</b>	<b>5,789,000</b>	<b>16,066,764</b>	<b>7,780,000</b>	<b>18,042,707</b>	<b>6,870,000</b>	<b>17,623,161</b>	<b>5,000,000</b>	<b>21,393,312</b>		
<b>OTHER FINANCING SOURCES (USES)</b>	<b>26,836,505</b>	<b>20,000,000</b>	<b>18,287,185</b>	<b>20,000,000</b>	<b>18,786,810</b>	<b>20,000,000</b>	<b>19,078,257</b>	<b>20,020,000</b>	<b>17,567,225</b>	<b>-</b>		
Sale of/compensation for capital assets	-	16,100	-	-	-	-	-	-	-	-		
Proceeds from extended-term financing	-	-	-	713,040	-	-	-	-	-	-		
Refund of prior year expenditures (revenues)	(100,000)	(10,642)	(60,000)	36,170	(100,000)	55,209	(120,000)	165,470	(100,000)	(230,295)		
Transfers in	-	-	-	-	-	-	-	56,767	-	-		
Transfers out	(5,713,635)	(21,931,206)	(6,500,000)	(6,374,284)	(7,930,000)	(16,367,862)	(5,750,000)	(17,294,983)	(3,900,000)	(18,027,119)		
Budgetary reserve	(500,000)											
<b>Total other financing sources (uses)</b>	<b>(6,313,635)</b>	<b>(21,925,748)</b>	<b>(7,310,000)</b>	<b>(5,625,074)</b>	<b>(8,780,000)</b>	<b>(16,312,453)</b>	<b>(6,870,000)</b>	<b>(17,072,746)</b>	<b>(5,000,000)</b>	<b>(18,257,414)</b>		
<b>NET CHANGE IN FUND BALANCE</b>	<b>(2,500,000)</b>	<b>(12,277,270)</b>	<b>(1,521,000)</b>	<b>10,441,690</b>	<b>(1,000,000)</b>	<b>1,730,254</b>	<b>(1,000,000)</b>	<b>(1,000,000)</b>	<b>(1,000,000)</b>	<b>(1,000,000)</b>		
<b>FUND BALANCE</b>												
Beginning of year	42,250,000	50,977,315	15,136,800	40,180,859	14,148,000	38,450,605	14,148,000	37,733,000	13,248,000	34,580,483		
Prior period adjustment	-	-	-	-	-	-	550,415	-	3,135,898	-		
<b>Fund balance as restated</b>	<b>42,250,000</b>	<b>50,977,315</b>	<b>15,136,800</b>	<b>40,535,625</b>	<b>14,148,000</b>	<b>38,450,605</b>	<b>14,148,000</b>	<b>37,900,190</b>	<b>13,248,000</b>	<b>34,597,102</b>		
<b>End of year</b>	<b>\$ 39,750,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		
				354,766				167,190				
									16,619			
	38,700,045	13,615,800	50,977,315	13,148,000	40,180,859	14,148,000	38,450,605	13,248,000	37,733,000			

# DOWNINGTOWN AREA SCHOOL DISTRICT

## COMPARATIVE SCHEDULES OF REVENUES AND OTHER FINANCING SOURCES - GENERAL FUND

June 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>REVENUES</b>					
<b>Local sources</b>					
Current real estate taxes	\$ 136,816,786	\$ 134,549,959	\$ 132,009,040	\$ 130,277,236	\$ 129,407,143
Interim real estate taxes	3,448,417	4,121,201	3,176,436	2,360,683	1,752,473
Public utility realty tax	176,715	179,587	191,740	186,605	189,265
Act 511 local services taxes	232,779	212,407	203,886	204,042	170,459
Act 511 earned income taxes	16,440,768	15,700,345	16,076,800	15,098,451	14,065,246
Act 511 real estate transfer taxes	2,937,027	3,348,454	2,514,756	2,443,816	2,678,500
Delinquent real estate taxes	2,964,014	3,332,783	3,355,254	3,954,319	3,379,685
Earnings on investments	732,214	475,958	381,737	309,237	377,824
Revenues from intermediary sources	1,927,828	1,670,659	1,691,913	1,593,535	1,682,844
Rentals	374,630	494,672	235,404	267,334	158,046
Tuition - regular and summer school	154,829	71,276	53,854	58,790	77,561
Student activities	1,707,287	1,430,436	1,275,591	1,171,632	1,090,745
Miscellaneous revenue	105,924	211,165	181,306	136,434	135,987
<b>Total revenues from local sources</b>	<u>168,019,218</u>	<u>165,798,902</u>	<u>161,347,717</u>	<u>158,062,114</u>	<u>155,165,778</u>
<b>State sources</b>					
Basic education	14,346,522	13,870,652	13,474,564	13,509,785	13,062,584
Charter schools	-	-	-	-	-
Tuition court placed	157,552	115,763	150,544	102,923	131,695
Homebound instruction	-	-	-	-	-
Alternative education	-	-	-	-	-
Special education	5,849,908	5,688,100	5,500,007	5,411,988	5,310,989
Transportation	3,838,040	4,016,650	3,804,844	3,754,560	3,649,538
Rental and sinking fund payments	4,842,591	591,455	782,427	1,892,129	1,541,547
Medical and dental services	288,748	288,659	290,607	313,153	308,513
State property tax reduction allocation	3,906,948	3,808,899	3,881,937	3,813,172	3,828,397
Other state grants	-	6,195	1,000	-	-
Safe schools	-	9,780	-	-	13,434
Accountability grant	-	-	-	264,742	264,742
Ready to learn grant	874,969	874,969	660,098	-	-
Dual enrollment	-	-	-	-	-
Social security subsidy	3,218,331	3,182,939	3,082,604	2,964,554	2,890,657
Retirement subsidy	13,091,813	10,991,018	8,860,844	6,768,257	4,848,458
Incarcerated education	-	-	-	-	-
Classrooms of the future	-	-	-	-	-
<b>Total revenues from state sources</b>	<u>50,415,422</u>	<u>43,445,079</u>	<u>40,489,476</u>	<u>38,795,263</u>	<u>35,850,554</u>
<b>Federal sources</b>					
Title I - low income	356,259	257,694	298,055	265,935	253,603
Title II - improving teaching quality	147,573	135,367	148,398	105,225	138,074
Title III - english language	31,686	27,623	22,959	18,016	33,528
Title V - innovative education	-	-	-	-	-
Drug free school grants	-	-	-	-	-
Qualified school construction bond (QSCB)	1,831,039	1,827,108	1,823,177	1,809,417	1,965,689
All other federal grants	594,897	452,998	444,422	830,834	621,113
Medical assistance/administrative	11,803	24,154	21,799	28,356	-
ARRA grants	-	-	-	-	-
<b>Total revenues from federal sources</b>	<u>2,973,257</u>	<u>2,724,944</u>	<u>2,758,810</u>	<u>3,057,783</u>	<u>3,012,007</u>
<b>Other financing sources</b>					
Sale of/compensation for capital assets	182,098	45,414	37,165	17,064	3,675
Proceeds from extended-term financing	-	-	-	-	-
Refunds of prior years expenditures	88,522	64,835	121,572	244,587	11,754
Transfers in	-	-	-	-	-
<b>Total other financing sources</b>	<u>270,620</u>	<u>110,249</u>	<u>158,737</u>	<u>261,651</u>	<u>15,429</u>
<b>Total revenues</b>	<u>\$ 221,678,517</u>	<u>\$ 212,079,174</u>	<u>\$ 204,754,740</u>	<u>\$ 200,176,811</u>	<u>\$ 194,043,768</u>

# DOWNINGTOWN AREA SCHOOL DISTRICT

## COMPARATIVE SCHEDULES OF REVENUES AND OTHER FINANCING SOURCES - GENERAL FUND

June 30,

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>REVENUES</b>					
<b>Local sources</b>					
Current real estate taxes	\$ 126,413,056	\$ 123,849,460	\$ 121,308,451	\$ 116,188,316	\$ 112,218,749
Interim real estate taxes	1,792,941	1,736,256	1,823,629	3,044,228	3,907,605
Public utility realty tax	197,693	196,179	188,392	169,536	174,439
Act 511 local services taxes	209,436	164,639	178,604	189,809	147,464
Act 511 earned income taxes	12,845,110	12,550,773	12,072,855	11,879,981	11,723,290
Act 511 real estate transfer taxes	2,067,424	1,734,999	2,001,326	1,884,621	2,931,794
Delinquent real estate taxes	3,486,927	2,997,765	3,817,104	3,610,739	2,926,886
Earnings on investments	419,429	741,421	1,139,960	2,578,378	4,517,530
Revenues from intermediary sources	1,563,822	1,474,452	1,518,018	1,516,147	1,440,836
Rentals	117,069	93,811	107,587	58,598	105,123
Tuition - regular and summer school	62,613	59,311	106,762	135,806	124,750
Student activities	1,113,741	-	-	-	-
Miscellaneous revenue	182,648	775,240	532,401	579,111	242,342
<b>Total revenues from local sources</b>	<u>150,471,909</u>	<u>146,374,306</u>	<u>144,795,089</u>	<u>141,835,270</u>	<u>140,460,808</u>
<b>State sources</b>					
Basic education	13,062,584	11,697,594	11,932,397	13,058,796	12,679,868
Charter schools	-	935,412	839,158	797,043	596,495
Tuition court placed	437,805	198,057	491,378	452,513	360,524
Homebound instruction	-	-	-	925	423
Alternative education	-	-	-	112,088	107,700
Special education	5,211,893	5,226,233	5,247,386	5,126,418	5,038,561
Transportation	3,653,543	3,715,525	3,981,882	3,976,816	3,752,612
Rental and sinking fund payments	3,193,177	2,909,754	2,115,570	2,125,502	1,883,305
Medical and dental services	287,491	288,145	286,406	285,906	287,827
State property tax reduction allocation	3,850,949	3,903,983	3,883,624	3,792,872	-
Other state grants	51,000	-	-	-	-
Safe schools	13,656	-	27,387	3,685	34,180
Accountability grant	264,742	673,836	728,584	720,013	716,593
Ready to learn grant	-	-	-	-	-
Dual enrollment	-	46,405	55,585	74,239	125,929
Social security subsidy	2,862,912	2,995,144	2,950,318	2,829,655	2,657,924
Retirement subsidy	3,313,297	2,281,268	1,918,418	1,799,481	2,604,780
Incarcerated education	438	3,720	-	-	-
Classrooms of the future	-	-	-	183,396	1,016,329
<b>Total revenues from state sources</b>	<u>36,203,487</u>	<u>34,875,076</u>	<u>34,458,093</u>	<u>35,339,348</u>	<u>31,863,050</u>
<b>Federal sources</b>					
Title I - low income	257,547	286,555	335,859	218,931	207,592
Title II - improving teaching quality	196,466	188,221	194,570	208,494	190,013
Title III - english language	40,114	38,075	64,138	27,089	30,192
Title V - innovative education	-	-	-	-	10,461
Drug free school grants	-	10,064	14,634	18,989	22,361
Qualified school construction bond (QSCB)	1,586,545	603,774	-	-	-
All other federal grants	1,059,452	1,826,585	661,212	446,080	465,811
Medical assistance/administrative	-	-	-	-	-
ARRA grants	-	2,803,281	2,654,657	-	-
<b>Total revenues from federal sources</b>	<u>3,140,124</u>	<u>5,756,555</u>	<u>3,925,070</u>	<u>919,583</u>	<u>926,430</u>
<b>Other financing sources</b>					
Sale of/compensation for capital assets	16,100	-	-	-	-
Proceeds from extended-term financing	-	713,040	-	-	-
Refunds of prior years expenditures	43,861	82,631	193,260	223,935	80,631
Transfers in	-	-	-	56,767	-
<b>Total other financing sources</b>	<u>59,961</u>	<u>795,671</u>	<u>193,260</u>	<u>280,702</u>	<u>80,631</u>
<b>Total revenues</b>	<u>\$ 189,875,481</u>	<u>\$ 187,801,608</u>	<u>\$ 183,371,512</u>	<u>\$ 178,374,903</u>	<u>\$ 173,330,919</u>

**SINGLE AUDIT**



# DOWNINGTOWN AREA SCHOOL DISTRICT

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

Year ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Project Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Dates	Grant Amount	Total Received for Year	Accrued (Deferred) Revenue July 1, 2016	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue June 30, 2017	Passed Through to Subrecipients
<b>U.S. Department of Education</b>											
<b>Passed-Through the Pennsylvania Department of Education</b>											
Title I - Improving Basic Programs	I	84.010	013-160121	07/01/15 - 09/30/16	\$ 298,227	\$ 98,142	\$ 38,817	\$ 59,325	\$ 59,325	\$ -	-
Title I - Improving Basic Programs	I	84.010	013-170121	07/01/16 - 09/30/17	341,659	223,737					
						321,879	38,817	356,259	356,259	73,197	
Title I - Improving Teacher Quality	I	84.367	020-160121	07/01/15 - 09/30/16	162,146	42,994	(96,720)	147,573	147,573	7,859	-
Title II - Improving Teacher Quality	I	84.367	020-170121	07/01/16 - 09/30/17	158,612	45,620	296,934				
						88,614	(96,720)	147,573	737,973	(37,761)	
Total CFDA #84.367											
Title III - Language Instruction LEP/Immigrant Students	I	84.365	010-160121	07/01/15 - 09/30/16	38,718	13,323	(12,395)	24,823	24,823	(45,620)	(895)
Title III - Language Instruction LEP/Immigrant Students	I	84.365	010-170121	07/01/16 - 09/30/17	46,148	13,185	-			(6,322)	
						26,508	(12,395)	31,686	31,686	(7,217)	
Total CFDA #84.365											
<b>Passed Through the Chester County I.U.</b>											
I.D.E.A. - Part B, Section 611	I	84.027	062-1500024	07/01/15 - 09/30/16	1,667,100	444,560	444,560	6,863	-	-	-
I.D.E.A. - Part B, Section 611	I	84.027	062-1600024	07/01/16 - 09/30/17	1,909,392	910,714	-	1,909,392	1,909,392	998,678	-
I.D.E.A. - Part B, Section 611	I	84.027	062-1700032	07/01/16 - 06/30/17	10,000	10,000					
						1,365,274	444,560	1,919,392	1,919,392	998,678	
Total CFDA #84.027											
I.D.E.A. - Part B, Section 619	I	84.173	131-1600024	07/01/16 - 06/30/17	4,908	4,908	10,000		4,908		
Advanced Placement Test Fee Program	I	84.330	43-00529230	12/15/16 - 06/30/17	3,528	-		10,000	3,528	3,528	
<b>Total U.S. Department of Education</b>						<b>1,807,183</b>	<b>374,262</b>	<b>2,463,346</b>	<b>2,463,346</b>	<b>1,030,425</b>	
							4,908			-	
							3,528			-	

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, 2016</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2017</u>	<u>Passed Through to Subrecipients</u>
<b>U.S. Department of Health and Human Services</b>											
<b>Passed Through the Pennsylvania Department of Public Welfare</b>											
Medical Assistance Program	I	93.778	N/A	07/01/15 - 06/30/16	24,154	9,694	9,694	-	-	-	-
Medical Assistance Program	I	93.778	N/A	07/01/16 - 06/30/17	11,803	8,911					
						<u>18,605</u>	<u>9,694</u>	<u>11,803</u>	<u>11,803</u>	<u>2,892</u>	
<b>Total CFDA #93.778</b>											
<b>Passed Through the Pennsylvania Emergency Management Agency</b>											
Disaster Grants - Public Assistance	I	97.036	N/A	03/23/16-09/23/16	74,486	74,486	11,803	11,803	2,892	-	-
<b>U.S. Department of Agriculture</b>											
<b>Passed-Through the Pennsylvania Department of Education</b>											
State Matching Share	S	N/A	N/A	07/01/15 - 06/30/16	N/A	2,126	2,126	-	-	-	-
State Matching Share	S	N/A	N/A	07/01/16 - 06/30/17	N/A	56,079					
Total State Matching Share						<u>58,205</u>	<u>2,126</u>	<u>57,573</u>	<u>57,573</u>	<u>1,494</u>	
Breakfast Program	I	10.553	N/A	07/01/15 - 06/30/16	N/A	1,802	1,802	-	-	-	-
Breakfast Program	I	10.553	N/A	07/01/16 - 06/30/17	N/A	43,801	57,573	57,573			
						<u>45,603</u>	<u>1,802</u>	<u>45,201</u>	<u>45,201</u>	<u>1,400</u>	
<b>Total CFDA #10.553</b>											
National School Lunch Program	I	10.555	N/A	07/01/15 - 06/30/16	N/A	14,467	14,467	-	-	-	-
National School Lunch Program	I	10.555	N/A	07/01/16 - 06/30/17	N/A	412,725	45,201	423,420	423,420	10,695	-
								45,201	1,400	-	-

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, 2016</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2017</u>	<u>Passed Through to Subrecipients</u>
<b>Passed-Through the Pennsylvania Department of Agriculture</b>											
National School Lunch Program	I	10.555	N/A	07/01/16 - 06/30/17	N/A	a) 149,123	b) (13,698)	c) 150,163	150,163	d) (12,658)	
						576,315		573,583		(1,963)	
						680,123	4,697	676,357	676,357	931	
<b>Total U.S. Department of Agriculture</b>											
Total CFDA #10.555						\$ 2,580,397	\$	\$ 573,583	\$	\$	\$
<b>Total Federal Awards and Certain State Grants</b>						769				-	
Total Federal Awards						\$ 2,522,192	\$ 386,527	\$ 3,168,419	\$ 3,168,419	\$ 1,032,754	\$ -
Total State Awards						58,205					
Total Federal Awards and Certain State Grants						\$ 2,580,397	\$ 3,225,992	\$ 3,225,992	\$ 1,034,248	\$	\$
Special Education Cluster (IDEA) (CFDA's #84.027 and #84.173)						\$ 1,370,182	\$	\$	\$	\$ -	\$
Child Nutrition Cluster (CFDA's #10.553 and #10.555)						\$ 2,126,126	\$ 57,573	\$ 57,573	\$ 1,494	\$	\$
						621,918	3,225,992	3,225,992	1,034,248		
						388,653					
						444,560	1,924,300	1,924,300	998,678	-	
						2,571	618,784	618,784	(563)	-	

**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

# DOWNINGTOWN AREA SCHOOL DISTRICT

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

June 30, 2017

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### (1) FEDERAL EXPENDITURES

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

### (2) BASIS OF ACCOUNTING

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

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

The Commonwealth of Pennsylvania distributes federal surplus food to institutions (schools, hospitals and prisons) and to the needy. Expenditures reported in the Schedule of Expenditures of Federal Awards and Certain State Grants under CFDA #10.555 National School Lunch Program and passed through the Pennsylvania Department of Agriculture represent federal surplus food consumed by the District during the 2016-2017 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, 2017 was \$520,411.

### (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, 2017 was \$1,831,039.

### (5) INDIRECT COSTS

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance. No indirect costs were charged to the District's Federal awards for the year ended June 30, 2017.

**DOWNTOWN AREA SCHOOL DISTRICT**

***SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS***

**Year ended June 30, 2017**

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There were no audit findings for the year ended June 30, 2016.











# **DOWNINGTOWN AREA SCHOOL DISTRICT**

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Year ended June 30, 2017**

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### **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 Ford 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:
  - Special Education Cluster:
    - I.D.E.A. – Part B, Section 611 – CFDA Number 84.027
    - I.D.E.A. – Part B, Section 619 – CFDA Number 84.173
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