

Financial Statements

Downingtown Area School District

June 30, 2015

Rainer
& Company

A Professional Corporation
Certified Public Accountants

TABLE OF CONTENTS

<u>Title</u>	<u>Page No.</u>
Independent Auditors' Report on Financial Statements	1-3
Management's Discussion and Analysis	4-14

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements:

Statement of Net Position	15
Statement of Activities	16

Fund Financial Statements:

Balance Sheet - Governmental Funds	17
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	18
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	19
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	20
Statement of Net Position - Proprietary Funds	21
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	22
Statement of Cash Flows - Proprietary Funds	23
Statement of Fiduciary Net Position	24
Statement of Changes in Fiduciary Net Position	25
Notes to the Financial Statements	26-48

TABLE OF CONTENTS

(Continued)

<u>Title</u>	<u>Page No.</u>
<i>Required Supplementary Information:</i>	
Budgetary Comparison Schedule - General Fund	49
Schedule of Post Employment Benefit Obligation Funding Progress	50
Schedule of the District's Proportionate Share of the Net Pension Liability	51
Schedule of the District Pension Contributions	52
<i>Other Supplementary Information:</i>	
Combined Balance Sheet - Capital Projects Funds	53
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Capital Projects Funds	54
General Fund - Borrowing Base Calculation (Unaudited)	55
Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - General Fund	56
Comparative Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	57-58
Comparative Statements of Revenues and Other Financing Sources - General Fund	59-60



A Professional Corporation
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of School Directors
Downingtown Area School District
Downingtown, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Downingtown Area School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Downingtown Area School District, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As described in Note 13 to the financial statements, during the fiscal year ended June 30, 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 14, budgetary comparison information on page 49, the schedule of post employment benefit obligation funding progress on page 50, the schedule of the District's proportionate share of the net pension liability on page 51, and the schedule of District's pension contributions on page 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Downingtown Area School District's basic financial statements. The supplementary information on pages 53-60 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information on pages 53-60 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the supplementary information on pages 53-60 is fairly stated in all material respects in relation to the basic financial statements as a whole. The School District's basic financial statements for the year ended June 30, 2006 were audited by other auditors whose report expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the remaining aggregate fund information. Their report on the comparative information on pages 56 through 60 stated that, in their opinion, such information was fairly stated in all material aspects in relation to the basic financial statements for the year ended June 30, 2006, taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2015, on our consideration of Downingtown Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Downingtown Area School District's internal control over financial reporting and compliance.


Rainer & Company

Newtown Square, PA
December 14, 2015

DOWNINGTOWN AREA SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2015

The discussion and analysis of Downingtown Area School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the financial statements, notes to the financial statements, and supplemental information in this report.

Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement Number 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. Comparative information between the current year and the prior year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

During the fiscal year ended June 30, 2015, the change in the total Governmental Funds fund balance was a decrease of \$18.4 million. This change was primarily due to \$36.9 million of expenditures in the Capital Projects Fund for the defeasance of debt and expenditures for facilities improvements, offset by an excess of revenues over expenditures in the General Fund of \$17.6. Additional funding sources of nearly \$1 million primarily due to a one-time payment to the District for land rights and interest earnings in the Capital Projects Fund also contributed to the change in the Governmental Fund balance. In the budgeting process, the District was able to balance the 2014-2015 general fund budget without an increase in the real estate tax rate, keeping the millage rate at 27.182. General Fund revenue from local sources increased \$3.3 million over the prior year primarily due to a \$1.9 million increase in real estate tax revenue as a result of assessment growth and increased interim collections. In addition, an increase in earned income tax revenue of nearly \$1.0 million contributed to the local source revenue increase. General Fund revenue from state sources increased \$1.7 million over the prior year primarily due to a \$2.1 million increase in the retirement subsidy, caused by an increase in the Public School Employees' Retirement System of Pennsylvania (PSERS) contribution rate, and the addition of the Ready to Learn grant of \$395,356. Offsetting these increases was a \$1.2 million decrease in debt service reimbursement due to the defeasance of debt. General Fund revenue from federal sources decreased \$298,973 primarily due to a decrease in Medical Access revenue recognized. General Fund expenditures increased \$8.4 million over the prior year primarily due to increases in employee benefit costs (including PSERS contribution increase), salaries, charter school costs, special education costs, and student transportation costs. These costs were offset by a \$2.9 million decrease in debt service due to the defeasance of two debt issues during the year.

OVERVIEW OF FINANCIAL STATEMENTS

The accompanying financial statements have been prepared in accordance with GASB Statement Number 34 and present both government-wide and fund level financial statements using both the accrual basis and modified accrual basis of accounting, respectively. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Government-Wide Financial Statements

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

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

DOWNTOWNTOWN AREA SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2015

Government-Wide Financial Statements (Continued)

The two government-wide statements report the District's net position and how they have changed. Net position, the difference between the District's assets and liabilities, are one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net position are an indication of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the District, you need to consider additional non-financial factors, such as changes in the District's property tax base and the performance of the students.

The government-wide financial statements of the District are divided into two categories:

- **Governmental Activities** - All of the District's basic services are included here, such as instruction, administration and community services. Property taxes and state and federal subsidies and grants finance most of these activities.
- **Business-Type Activities** - The District operates a food service operation and charges fees to staff and students to cover the costs of the food service operation.

Fund Level Financial Statements

The remaining statements are fund financial statements that focus on individual parts of the District's operations in more detail than the government-wide statements. The governmental funds statements tell how the District's operations were financed in the short term as well as what remains for future spending. Proprietary fund statements offer short and long-term financial information about the activities that the District operates like a business. For the District, this is our Food Service Fund. Fiduciary fund statements provide information about financial relationships where the District acts solely as a trustee or agent for the benefit of others.

- **Governmental Funds** - Most of the District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. Governmental funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.
- **Proprietary Funds** - These funds are used to account for District activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position, or where there is a significant portion of funding through user charges. When the District charges customers for services it provides - whether to outside customers or to other units in the District - these services are generally reported in proprietary funds. The Food Service Fund is the District's proprietary fund and is the same as the business-type activities we report in the government-wide statements.
- **Fiduciary Funds** - The District is the trustee, or fiduciary, for assets that belong to others, such as scholarship funds or student activity funds. These assets are reported in a separate Statement of Fiduciary Net Position and are excluded from the District's other financial statements because the District cannot use these assets to finance its operations.

DOWNINGTOWN AREA SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2015

Fund Level Financial Statements (Continued)

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

FINANCIAL ANALYSIS OF THE DISTRICT - GOVERNMENT-WIDE STATEMENTS

The District's total net position was \$67,610,245 at June 30, 2015. The following table presents condensed financial information for the net position of the District as of June 30, 2015 and June 30, 2014. The increase in total assets and deferred outflows of resources is primarily due to the implementation of the new GASB 68 accounting standard that requires pension contributions and other costs determined by PSERS to be recognized as a deferred outflow. Offsetting this is a decrease in cash and investments (current assets) compared to the prior year primarily due to the defeasance of debt.

Total liabilities and deferred inflows of resources have been restated for June 30, 2014 due to the implementation of GASB 68 that requires the District's portion of the PSERS pension liability to be recognized as a liability. The overall decrease in total liabilities and deferred inflows of resources as of June 30, 2015 compared to the prior year reflects the recognition of pension related deferred inflows determined by PSERS, and an increase in the pension liability, offset by a reduction in bonds outstanding.

The net position invested in capital assets net of related debt reflects an increase over the prior year due to the defeasance of outstanding debt issues. The net position restricted for capital projects reflects the change in the District's capital projects fund balance compared to the prior year.

Schedule of Net Position
For the Year Ended June 30, 2015

	Governmental Activities		Business-Type Activities		Total	
	2015	(RESTATED) 2014	2015	(RESTATED) 2014	2015	(RESTATED) 2014
Current Assets	\$ 187,613,985	\$ 205,889,449	\$ 1,223,409	\$ 1,281,842	\$ 188,837,394	\$ 207,171,291
Capital Assets	291,785,764	291,998,843	918,177	592,743	292,703,941	292,591,586
Deferred Outflows of Resources	29,517,080	7,915,752	31,638	0	29,548,718	7,915,752
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	508,916,829	505,804,044	2,173,224	1,874,585	511,090,053	507,678,629
Current Liabilities	34,700,440	37,531,609	323,022	441,531	35,023,462	37,973,140
Noncurrent Liabilities	390,390,896	407,754,067	355,450	339,984	390,746,346	408,094,051
Deferred Inflows of Resources	17,684,590	0	25,410	0	17,710,000	0
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	442,775,926	445,285,676	703,882	781,515	443,479,808	446,067,191
Net Position:						
Invested in Capital Assets, Net of Related Debt	157,214,480	125,780,122	918,177	592,743	158,132,657	126,372,865
Restricted: Capital Projects	132,101,819	148,679,097	0	0	132,101,819	148,679,097
Unrestricted	(223,175,396)	(213,940,851)	551,165	500,327	(222,624,231)	(213,440,524)
TOTAL NET POSITION	\$ 66,140,903	\$ 60,518,368	\$ 1,469,342	\$ 1,093,070	\$ 67,610,245	\$ 61,611,438

DOWNINGTOWN AREA SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2015

The condensed statement of activities below shows the results of this year's operations as a whole compared to the prior year. Consistent with fiscal year 2014, total revenues exceeded total expenses in fiscal year 2015. This resulted in an increase in net assets of \$5,998,807 in fiscal year 2015.

The net increase in revenue in fiscal year 2015 compared to fiscal year 2014 is primarily due to the increases in operating grants due to a higher PSERS contribution rate which provided a higher reimbursement from the state, and increased property tax revenue. The increase in expenses in fiscal year 2015 compared to fiscal year 2014 is primarily due to the increase in employee salaries and benefit costs including the increase in the PSERS employer contribution rate.

Statement of Activities
For the Year Ended June 30, 2015

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
REVENUES:						
Program Services:						
Charges for Services	\$ 1,392,866	\$ 1,353,432	\$3,297,150	\$2,820,224	\$ 4,690,016	\$ 4,173,656
Operating Grants and Contributions	27,852,600	26,373,738	582,106	679,074	28,434,706	27,052,812
General Revenues:						
Property Taxes	138,625,406	136,096,210	0	0	138,625,406	136,096,210
Other Taxes	18,419,069	18,154,353	0	0	18,419,069	18,154,353
Grants, Subsidies and						
Contributions Not Restricted	17,356,501	17,322,957	415,105	0	17,771,606	17,322,957
Other Revenue	1,697,687	1,032,724	935	696	1,698,622	1,033,420
Transfers In (Out)	(11,838)	0	11,838	0	0	0
TOTAL REVENUES	205,332,291	200,333,414	4,307,134	3,499,994	209,639,425	203,833,408
EXPENSES:						
Instruction	119,378,580	108,036,569	0	0	119,378,580	108,036,569
Instructional Student Support	15,022,000	13,090,621	0	0	15,022,000	13,090,621
Administrative and Financial Support	15,805,025	14,818,912	0	0	15,805,025	14,818,912
Operation and Maintenance of						
Plant Services	15,780,182	13,414,321	0	0	15,780,182	13,414,321
Pupil Transportation	10,940,409	10,031,148	0	0	10,940,409	10,031,148
Student Activities	3,823,129	3,400,821	0	0	3,823,129	3,400,821
Community Services	66,923	17,249	0	0	66,923	17,249
Interest on Long-Term Debt	6,995,557	6,729,289	0	0	6,995,557	6,729,289
Unallocated Depreciation Expense	11,897,951	10,009,393	0	0	11,897,951	10,009,393
Food Services	0	0	3,930,862	3,534,840	3,930,862	3,534,840
TOTAL EXPENSES	199,709,756	179,548,323	3,930,862	3,534,840	203,640,618	183,083,163
CHANGE IN NET POSITION	\$ 5,622,535	\$ 20,785,091	\$ 376,272	\$ (34,846)	\$ 5,998,807	\$ 20,750,245

DOWNINGTOWN AREA SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2015

EXPENSES

The following table presents condensed financial information on the expenses of the District by function. The table illustrates both the gross and net costs of services. The net amounts are calculated by subtracting restricted operating grants and contributions revenue, and charges for services from the gross costs of services. Revenues from unrestricted grants, subsidies and contributions are deducted from the total net cost of services to reflect the amount needed to be funded by local revenue sources such as property taxes for total revenues to equal total expenses.

Expense Analysis
For the Year Ended June 30, 2015

Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2015	2014	2015	2014
Expenses - Governmental Activities:				
Instruction	\$119,378,580	\$108,036,569	\$ 99,636,812	\$ 90,213,184
Instructional Student Support	15,022,000	13,090,621	13,570,833	11,853,563
Administrative and Financial Support	15,805,025	14,818,912	14,697,200	13,928,345
Operation and Maintenance of Plant Services	15,780,182	13,414,321	13,946,022	10,566,517
Pupil Transportation	10,940,409	10,031,148	7,108,079	6,256,070
Student Activities	3,823,129	3,400,821	2,546,848	2,247,783
Community Services	66,923	17,249	64,988	17,009
Interest on Long-Term Debt	6,995,557	6,729,289	6,995,557	6,729,289
Unallocated Depreciation Expense	11,897,951	10,009,393	11,897,951	10,009,393
TOTAL EXPENSES	\$199,709,756	\$179,548,323	170,464,290	151,821,153
Less: Grants, Subsidies and Contributions Not Restricted			(17,356,501)	(17,322,957)
AMOUNT NEEDED TO BE FUNDED BY OTHER REVENUE SOURCES			\$153,107,789	\$134,498,196

The following table reflects condensed financial activities of the food service program, the only business-type activity of the District. The net cost of services reflects the amount that total expenses exceeded total revenues. The change in net cost compared to prior year is due to a District capital contribution to the food service program for the 6th grade center.

Business-Type Activities

	Total Cost of Services		Net Cost of Services	
	2015	2014	2015	2014
Expenses - Business-Type Activities:				
Food Services	\$ 3,930,862	\$ 3,534,840	\$ (376,272)	\$ 34,846

DOWNTOWNTOWN AREA SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2015

FINANCIAL ANALYSIS OF THE DISTRICT - FUND LEVEL STATEMENTS

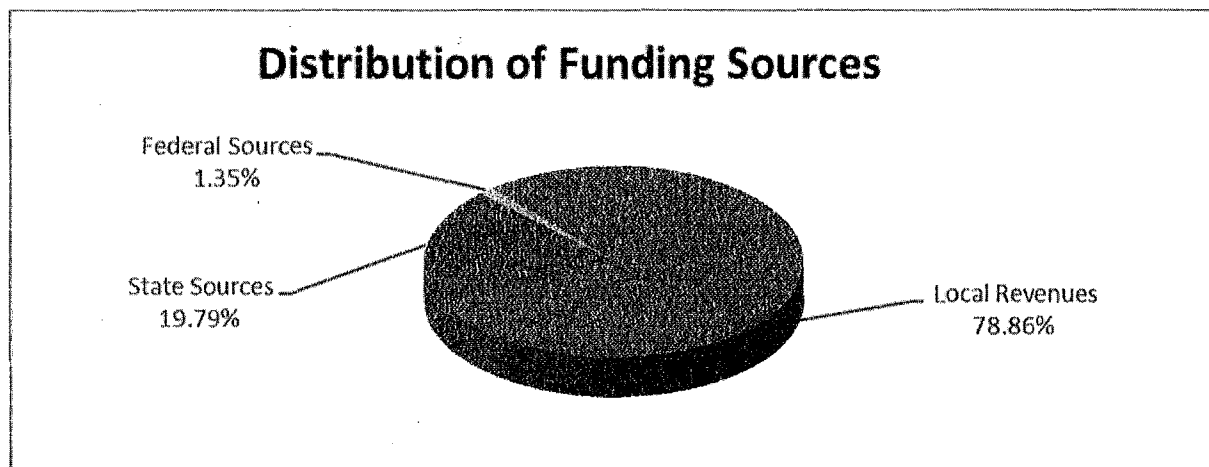
General Fund

At June 30, 2015, the District reported an unassigned fund balance of \$16,584,242. The unassigned fund balance is 8% of the 2015-2016 general fund budgeted expenditures which is in accordance with state regulations and consistent with the prior year. The District also has assigned fund balance of \$7,651,563 as of June 30, 2015 to fund future PSERS contribution increases and future healthcare claims.

REVENUE

General Fund revenues, which totaled \$204,596,003, increased \$4,680,843 or 2.34% over prior year revenues. The following table reflects a comparison of current year revenues to prior year revenues:

	Revenue 2015	% of Total	Increase (Decrease) From 2014	Percentage Increase (Decrease)
Local Revenues	\$ 161,347,717	78.86%	\$ 3,285,603	2.08%
State Sources	40,489,476	19.79%	1,694,213	4.37%
Federal Sources	2,758,810	1.35%	(298,973)	-9.78%
TOTAL REVENUES	\$ 204,596,003	100.00%	\$ 4,680,843	2.34%



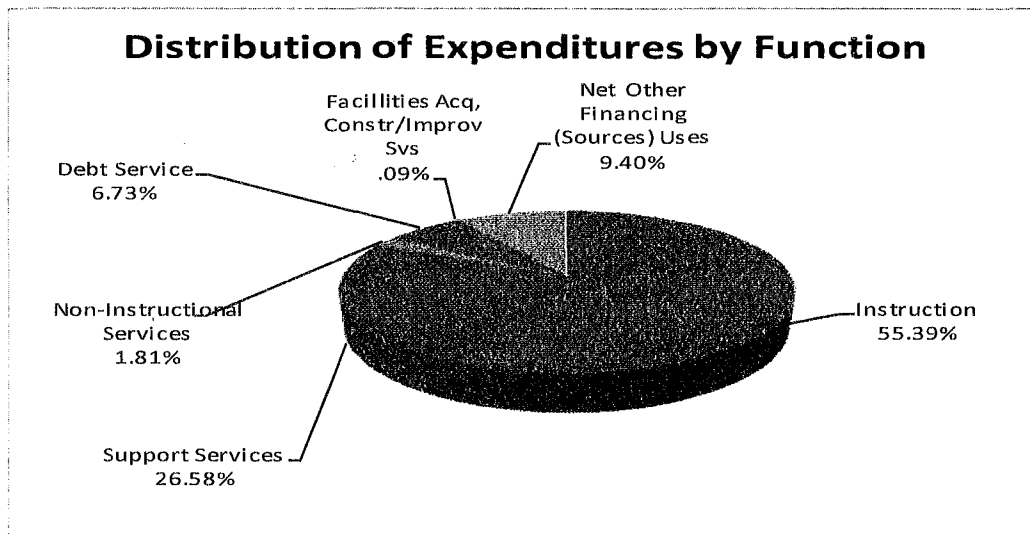
Revenue from local sources primarily includes revenue from real estate taxes levied by the District. The increase over prior year is primarily due to increases in current real estate taxes as a result of assessment growth, increased interim tax collections, and an increase in earned income tax revenue. State source revenue had a net increase of \$1.7 million compared to 2013-2014 due to a \$2.1 million increase in the retirement subsidy, caused by an increase in the PSERS contribution rate, and the addition of the Ready to Learn grant of \$395,356. Offsetting these increases was a \$1.2 million decrease in debt service reimbursement due to the defeasance of debt. General Fund revenue from federal sources decreased \$298,973 primarily due to a decrease in Medical Access revenue recognized.

DOWNINGTOWN AREA SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2015

EXPENDITURES

General Fund expenditures and net other financing uses, which total \$206,429,979, increased \$3,024,269 over the 2013-2014 expenditures, and were a net \$3,271,803 over final budget after transfers to the Capital Projects Fund. The expenditures are segregated into various programs depending on the functions of the activity. These programs and the costs associated with each are compared to the prior year and the final 2014-2015 budget as follows:

	Expenditures 2015	% of Total	Increase (Decrease) From 2014	Variance with Final Budget - Positive (Negative)
Instruction	\$ 114,337,036	55.39%	\$ 6,760,164	\$ 8,494,550
Support Services	54,859,555	26.58%	4,365,333	2,043,893
Non-Instructional Services	3,742,258	1.81%	324,188	30,642
Facilities Acq, Construct/Improv Svcs	187,621	0.09%	(112,629)	1,224,259
Debt Service	13,887,128	6.73%	(2,914,091)	4,036,048
Net Other Financing Uses (Sources)	19,416,381	9.40%	(5,398,696)	(19,101,195)
TOTAL EXPENDITURES BY FUNCTION	\$ 206,429,979	100.00%	\$ 3,024,269	\$ (3,271,803)



The increase in the Instruction, Support Services, and Non-Instructional expenses is primarily due to increases in employee benefit costs (including PSERS contribution increase), salaries, charter school costs, special education costs, and student transportation costs. The decrease in Debt Service is due to the defeasance of two debt issues during the year. The decrease in Net Other Financing Uses (Sources) compared to the prior year is primarily due to a decrease in the amount transferred out of the General Fund and into the District's Capital Projects fund. The positive final budget variances for Instruction, Support Services, and Non-Instructional services expenses were due primarily to lower salary and benefit costs than budgeted. The positive Debt Service variance is due to the defeasance of two debt issues which caused debt service to be lower than budgeted. The Facilities Acquisition, Construction and Improvement services budget variance is a result of expenditures charged to the Capital Projects Fund versus the General Fund, and the Net Other Financing Uses final budget variance is caused by the amount transferred to the Capital Projects Fund from the General Fund.

DOWNINGTOWN AREA SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2015

Capital Projects Fund

At June 30, 2015, the District reported a fund balance of \$132,101,819, which is a decrease of \$16,577,278 from the prior year. This change was primarily due to \$36.9 million of expenditures in the Capital Projects Fund for the defeasance of debt and expenditures for facilities improvements. This was offset by increases in the fund for transfers from the General Fund of \$19.6 million, and additional funding sources of \$791,081 for interest earnings and a one-time payment to the District for land rights. The June 30, 2015 fund balance will be used to fund future capital projects, equipment, or other budgetary needs.

DOWNINGTOWN AREA SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2015

CAPITAL ASSETS

At June 30, 2015, the District governmental activities and business-type activities had a total of \$292,703,941 invested in net capital assets, including land, buildings, and furniture and equipment. This amount represents a net increase of \$112,355 from last year primarily due to the increase in construction in progress for smaller facilities projects being offset by the net increase in total accumulated depreciation. The increase in buildings represents the completed 6th grade center being placed into service, with a related decrease in construction in progress. A summary schedule of the District's capital assets is shown in the table below.

Schedule of Capital Assets
June 30, 2015

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets:				
Land	\$ 41,375,333	\$ 0	\$ 0	\$ 41,375,333
Land Improvements	15,652,169	142,094	0	15,794,263
Buildings	283,074,501	37,975,480	0	321,049,981
Construction in Progress	35,979,193	8,883,211	39,649,728	5,212,676
Furniture and Equipment	28,119,690	4,333,815	4,917,270	27,536,235
TOTAL CAPITAL ASSETS	404,200,886	51,334,600	44,566,998	410,968,488
 Accumulated Depreciation for:				
Land Improvements	10,550,462	833,970	0	11,384,432
Buildings	86,910,013	7,341,790	0	94,251,803
Furniture and Equipment	14,741,568	3,722,191	4,917,270	13,546,489
TOTAL ACCUMULATED DEPRECIATION	112,202,043	11,897,951	4,917,270	119,182,724
 GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	\$ 291,998,843	\$ 39,436,649	\$ 39,649,728	\$ 291,785,764
 Business-Type Activities:				
Capital Assets:				
Furniture and Equipment	\$ 2,775,919	\$ 423,199	\$ 47,444	\$ 3,151,674
 Accumulated Depreciation for:				
Furniture and Equipment	2,183,176	97,765	47,444	2,233,497
 BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	\$ 592,743	\$ 325,434	\$ 0	\$ 918,177

DOWNINGTOWN AREA SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2015

DEBT ADMINISTRATION

As of June 30, 2015, the District had total long-term debt of \$134,571,284, a net decrease of \$31,647,437 over last year. The District made principal payments of \$31,279,632 in 2014-2015, which includes \$23,780,000 for the defeasance of the 2010A bonds and 2011 bonds. The District's outstanding long-term debt has been incurred to fund construction projects over the years with subsequent re-financings. The outstanding bond issues at June 30, 2015 are dated from 2006 to 2011.

Schedule of Debt Service
June 30, 2015

	Principal Outstanding July 1, 2014	Maturities	Additions (Refinancing)	Principal Outstanding June 30, 2015
General Obligation Note Series A of 2006	\$ 19,300,000	\$ 100,000	\$ 0	\$ 19,200,000
General Obligation Note Series C of 2006	15,200,000	0	0	15,200,000
General Obligation Bonds Series AA of 2009	49,175,000	4,125,000	0	45,050,000
General Obligation Bonds Series of 2010	19,850,000	875,000	0	18,975,000
General Obligation Bonds Series A of 2010	10,465,000	10,465,000	0	0
General Obligation Bonds Series A QSCB of 2010	23,308,350	1,664,882	0	21,643,468
General Obligation Bonds Series of 2011	13,315,000	13,315,000	0	0
General Obligation Bonds Series C QCSB of 2011	11,756,000	734,750	0	11,021,250
TOTAL	162,369,350	31,279,632	0	131,089,718
Less: Deferred Amounts:				
Issuance Premium (Discounts)	3,849,371	367,805	0	3,481,566
LONG-TERM DEBT	<u>\$ 166,218,721</u>	<u>\$ 31,647,437</u>	<u>\$ 0</u>	<u>\$ 134,571,284</u>

DOWNINGTOWN AREA SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2015

THE DISTRICT'S FUTURE

The level of state funding that the District receives in the future years is uncertain. There has been a new basic education subsidy funding formula established that should result in additional state funding to the District, however it is unclear if that formula will ultimately be used and how much funding it would provide. The political decisions influencing the state budgets are a key factor in determining the level of funding to the District. Lack of significant growth in other state funding continues to be a concern, and will require the District to continue to rely on local funding sources such as property taxes.

Currently the District is limited in the percent amount by which it can increase property taxes for future years, due to the Pennsylvania state legislature's Act 1 of 2006. The Act places annual limits on the increase in property taxes that the District can levy. The District estimates that its property tax assessment base will continue to experience some small growth. There has been discussion at the state level of eliminating the ability of Districts to increase property taxes unless it is approved by a voter referendum. This would have a serious effect on the District's ability to fund its programs and services in future years. The projected PSERS employer contribution rate for future years will continue cause a significant burden to the District to meet this obligation. Tuition paid by the District for Charter School students also continues to grow and be significant.

COMPREHENSIVE EDUCATION PLAN

The District's has two goals for its comprehensive education plan.

- Goal #1: We will ensure a system is in place within the district that promotes, enhances, and sustains a shared vision of high expectations for all students via the creation and implementation of common formative and summative assessments and standards aligned units of study.
- Goal #2: We will implement a comprehensive district-wide-system that will create a positive school climate by ensuring students who are academically and/or socially/emotionally/behaviorally at risk are identified early and are supported by a process that provides interventions based upon student needs and includes procedures for monitoring effectiveness.

FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, parents, students, and creditors with a general overview of the District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact Richard Fazio, Chief Financial Officer, or Michael DeAngelis, Assistant Director of Finance, Downingtown Area School District, 540 Trestle Place, Downingtown, PA 19335.

DOWNINGTOWN AREA SCHOOL DISTRICT

Statement of Net Position

June 30, 2015

<u>ASSETS</u>	Governmental Activities	Business-Type Activities	Total
Current:			
Cash and Cash Equivalents	\$ 52,060,165	\$ 311,099	\$ 52,371,264
Investments	126,132,487	844,161	126,976,648
Interest Receivable	166,075	0	166,075
Taxes Receivable, Net	4,255,955	0	4,255,955
Internal Balances	0	27,250	27,250
Due from Other Governments	4,630,967	9,620	4,640,587
Other Receivables	330,191	9,603	339,794
Inventories	0	21,676	21,676
Prepaid Expenses	38,145	0	38,145
TOTAL CURRENT ASSETS	187,613,985	1,223,409	188,837,394
Capital Assets, Net of Accumulated Depreciation	291,785,764	918,177	292,703,941
TOTAL ASSETS	479,399,749	2,141,586	481,541,335
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows of Resources: Accumulated Decrease in Fair Value of Hedging Derivatives	7,498,311	0	7,498,311
Deferred Outflows of Resources: Pension Plan	22,018,769	31,638	22,050,407
TOTAL DEFERRED OUTFLOWS OF RESOURCES	29,517,080	31,638	29,548,718
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 508,916,829	\$ 2,173,224	\$ 511,090,053
<u>LIABILITIES</u>			
Current:			
Accounts Payable and Other Current Liabilities	\$ 25,214,389	\$ 203,485	\$ 25,417,874
Internal Balances	27,250	0	27,250
Bonds and Notes Payable Due Within One Year	7,739,632	0	7,739,632
Accrued Interest	394,272	0	394,272
Unearned Revenues	1,324,897	119,537	1,444,434
TOTAL CURRENT LIABILITIES	34,700,440	323,022	35,023,462
Noncurrent:			
Bonds and Notes Payable Due After One Year	126,831,652	0	126,831,652
Deferred Instrument Liability - Interest Rate Swap	7,498,311	0	7,498,311
Net Pension Liability	247,379,550	355,450	247,735,000
Accrued Post-Employment Benefits	6,057,549	0	6,057,549
Compensated Absences	2,623,834	0	2,623,834
TOTAL NONCURRENT LIABILITIES	390,390,896	355,450	390,746,346
TOTAL LIABILITIES	425,091,336	678,472	425,769,808
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Inflow of Resources: Pension Plan	17,684,590	25,410	17,710,000
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	442,775,926	703,882	443,479,808
<u>NET POSITION</u>			
Invested in Capital Assets, Net of Related Debt	157,214,480	918,177	158,132,657
Restricted for: Capital Projects	132,101,819	0	132,101,819
Unrestricted	(223,175,396)	551,165	(222,624,231)
TOTAL NET POSITION	66,140,903	1,469,342	67,610,245
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 508,916,829	\$ 2,173,224	\$ 511,090,053

The accompanying notes are an integral part of this statement.

DOWNINGTOWN AREA SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2015

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges For Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities
Governmental Activities:					
Instruction	\$119,378,580	\$ (53,854)	\$ (19,687,914)	\$ (99,636,812)	\$ 0
Instructional Student Support	15,022,000	0	(1,451,167)	(13,570,833)	0
Administrative and Financial Support Services	15,805,025	0	(1,107,825)	(14,697,200)	0
Operation and Maintenance of Plant Operation	15,780,182	(332,323)	(1,501,837)	(13,946,022)	0
Pupil Transportation	10,940,409	0	(3,832,330)	(7,108,079)	0
Student Activities	3,823,129	(1,006,689)	(269,592)	(2,546,848)	0
Community Services	66,923	0	(1,935)	(64,988)	0
Interest on Long-Term Debt	6,995,557	0	0	(6,995,557)	0
Unallocated Depreciation Expense	11,897,951	0	0	(11,897,951)	0
TOTAL GOVERNMENTAL ACTIVITIES	199,709,756	(1,392,866)	(27,852,600)	(170,464,290)	0
Business-Type Activities:					
Food Services	3,930,862	(3,297,150)	(582,106)	0	(51,606)
TOTAL PRIMARY GOVERNMENT	\$203,640,618	\$ (4,690,016)	\$ (28,434,706)	\$ (170,464,290)	\$ (51,606)
General Revenues:					
Taxes:					
Property Taxes, Levied for General Purposes, Net				138,625,406	0
Public Utility Realty, Earned Income and Realty Transfer Taxes, Levied for General Purposes, Net				18,419,069	0
Grants, Subsidies and Contributions Not Restricted				17,356,501	415,105
Investment Earnings				940,572	935
Sale of Capital Assets				37,165	0
Miscellaneous Income				719,950	0
Transfers				(11,838)	11,838
TOTAL GENERAL REVENUES AND SPECIAL ITEMS				176,086,825	427,878
CHANGE IN NET POSITION				5,622,535	376,272
Net Position - July 1, 2014				297,134,384	1,433,054
Prior Period Adjustment				(236,616,016)	(339,984)
NET POSITION - JULY 1, 2014 (RESTATED)				60,518,368	1,093,070
NET POSITION - JUNE 30, 2015				\$ 66,140,903	\$ 1,469,342

The accompanying notes are an integral part of this statement.

DOWNINGTOWN AREA SCHOOL DISTRICT

Balance Sheet
Governmental Funds
June 30, 2015

<u>ASSETS</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Cash and Cash Equivalents	\$ 23,063,561	\$ 28,996,604	\$ 52,060,165
Investments	39,107,674	85,710,534	124,818,208
Interest Receivable	78,382	87,693	166,075
Taxes Receivable	4,255,955	0	4,255,955
Due from Other Funds	0	30,401,147	30,401,147
Due from Other Governments	4,630,967	0	4,630,967
Other Receivables	330,191	0	330,191
Prepaid Expenses	38,145	0	38,145
TOTAL ASSETS	\$ 71,504,875	\$ 145,195,978	\$ 216,700,853
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>			
Liabilities:			
Accounts Payable and Other Accrued Liabilities	\$ 5,895,798	\$ 2,291,671	\$ 8,187,469
Due to Other Funds	19,625,909	10,802,488	30,428,397
Accrued Salaries and Benefits	17,026,920	0	17,026,920
Unearned Revenues	1,324,897	0	1,324,897
TOTAL LIABILITIES	43,873,524	13,094,159	56,967,683
Deferred Inflows of Resources:			
Unavailable Revenue - Property Taxes	3,357,401	0	3,357,401
Fund Balances:			
Nonspendable	38,145	0	38,145
Assigned	7,651,563	132,101,819	139,753,382
Unassigned	16,584,242	0	16,584,242
TOTAL FUND BALANCES	24,273,950	132,101,819	156,375,769
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 71,504,875	\$ 145,195,978	\$ 216,700,853

The accompanying notes are an integral part of this statement.

DOWNTOWN AREA SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2015

Total Fund Balances - Governmental Funds	\$ 156,375,769
--	----------------

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of assets is \$410,968,488, and the accumulated depreciation is \$119,182,724

291,785,764

Some of the District's revenues will be collected after year end and are, therefore, not reported in the funds statements

3,357,401

Derivative instruments used in governmental activities are not financial resources and, therefore, are not reported in the fund statements

1,314,279

Some of the District's liabilities are not due and payable in the current period and are, therefore, not reported in the fund statements:

Bonds and Notes Payable	\$ 134,571,284	
Accrued Interest on the Bonds	394,272	
Net Pension Liability	247,379,550	
Accrued Post-Employment Benefits	6,057,549	
Compensated Absences	<u>2,623,834</u>	(391,026,489)

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the fund statements

Deferred Outflows of Resources - Pension Plan	\$22,018,769	
Deferred Inflows of Resources - Pension Plan	<u>(17,684,590)</u>	<u>4,334,179</u>

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	<u>\$ 66,140,903</u>
--	----------------------

DOWNINGTOWN AREA SCHOOL DISTRICT

Statement of Revenues, Expenditures,

and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2015

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues:			
Local Sources:			
Real Estate Taxes	\$ 138,540,730	\$ 0	\$ 138,540,730
Realty Transfer Tax	2,514,756	0	2,514,756
Earned Income Taxes	16,076,800	0	16,076,800
Other Taxes	395,626	0	395,626
Earnings from Investments	381,737	274,616	656,353
Other Local Revenues	3,438,068	0	3,438,068
State Sources	40,489,476	0	40,489,476
Federal Sources	2,758,810	0	2,758,810
TOTAL REVENUES	204,596,003	274,616	204,870,619
Expenditures:			
Instruction	114,337,036	1,486,508	115,823,544
Support Services	54,859,555	427,787	55,287,342
Non-Instructional Services	3,742,258	416,656	4,158,914
Facilities Acquisition, Construction/Improvement Services	187,621	9,621,171	9,808,792
Debt Service	13,887,128	24,977,043	38,864,171
TOTAL EXPENDITURES	187,013,598	36,929,165	223,942,763
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	17,582,405	(36,654,549)	(19,072,144)
Other Financing Sources (Uses):			
Interfund Transfers In (Reimbursement)	0	17,515,851	17,515,851
Interfund Transfers In (Non-Reimbursement)	0	15,484,955	15,484,955
Interfund Transfers Out (Reimbursement)	(4,087,689)	(13,440,000)	(17,527,689)
Interfund Transfers Out (Non-Reimbursement)	(15,484,955)	0	(15,484,955)
Miscellaneous Income	0	516,465	516,465
Sale of Capital Assets	37,165	0	37,165
Refunds of Prior Years Revenues	(2,474)	0	(2,474)
Refunds of Prior Years Expenses	121,572	0	121,572
TOTAL OTHER FINANCING SOURCES (USES)	(19,416,381)	20,077,271	660,890
NET CHANGE IN FUND BALANCES	(1,833,976)	(16,577,278)	(18,411,254)
Fund Balances - July 1, 2014	26,107,926	148,679,097	174,787,023
FUND BALANCES - JUNE 30, 2015	\$ 24,273,950	\$ 132,101,819	\$ 156,375,769

The accompanying notes are an integral part of this statement.

DOWNINGTOWN AREA SCHOOL DISTRICT
Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities
For the Year Ended June 30, 2015

Total Net Change in Fund Balances - Governmental Funds	\$ (18,411,254)
--	-----------------

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

Capital outlays are reported in governmental funds as expenditures.
 However, in the statement of activities, the cost of those assets is
 allocated over their estimated useful lives as depreciation expense

Capital Outlay	\$ 11,684,872	
Depreciation Expense	<u>(11,897,951)</u>	(213,079)

Repayment of bond principal is an expenditure in the governmental
 funds, but the repayment reduces long-term liabilities in the
 statement of net position

Principal Payments on Long-Term Term Liabilities	\$ 31,279,632	
Bond Issuance Premium	<u>367,805</u>	31,647,437

Derivative instruments used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	284,219
--	---------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	(483,437)
--	-----------

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

Accrued Post-Employment Benefits	\$ (808,948)	
Accrued Interest on the Bonds	221,177	
Compensated Absences	<u>(184,225)</u>	(771,996)

Governmental funds report district pension contributions as expenditures.
 However, in the Statement of Activities, the cost of pension benefits
 earned net of employee contributions is reported as pension expense

District Pension Contributions	\$ 16,550,626	
Cost of Benefits Earned Net of Employee Contributions	<u>(22,979,981)</u>	<u>(6,429,355)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 5,622,535</u>
---	---------------------

The accompanying notes are an integral part of this statement.

DOWNINGTOWN AREA SCHOOL DISTRICT

Statement of Net Position

Proprietary Funds

June 30, 2015

<u>ASSETS</u>	<u>Food Services</u>
Current:	
Cash and Cash Equivalents	\$ 311,099
Investments	844,161
Due from Other Governments	9,620
Due from Other Funds	27,250
Other Receivables	9,603
Inventories	21,676
TOTAL CURRENT ASSETS	<u>1,223,409</u>
Non-Current:	
Furniture and Equipment	3,151,674
Less: Accumulated Depreciation	<u>(2,233,497)</u>
TOTAL NON-CURRENT ASSETS	<u>918,177</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred Outflows of Resources - Pension Plan	<u>31,638</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 2,173,224</u>
<u>LIABILITIES</u>	
Current:	
Accounts Payable	\$ 181,030
Accrued Salaries and Benefits	22,455
Unearned Revenue	119,537
TOTAL CURRENT LIABILITIES	<u>323,022</u>
Long-Term:	
Net Pension Liability	<u>355,450</u>
TOTAL LIABILITIES	<u>678,472</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred Inflows of Resources - Pension Plan	<u>25,410</u>
<u>NET POSITION</u>	
Invested in Capital Assets, Net of Related Debt	918,177
Unrestricted	551,165
TOTAL NET POSITION	<u>1,469,342</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 2,173,224</u>

The accompanying notes are an integral part of this statement.

DOWNINGTOWN AREA SCHOOL DISTRICT
Statement of Revenues, Expenses and
Changes in Net Position -
Proprietary Funds
For the Year Ended June 30, 2015

	<u>Food Services</u>
Operating Revenues:	
Food Service Revenue	<u>\$ 3,297,150</u>
Operating Expenses:	
Professional and Contract Services	3,496,712
Salaries and Benefits	208,874
Depreciation	97,765
Other Operating Expenditures	<u>127,511</u>
TOTAL OPERATING EXPENSES	<u>3,930,862</u>
OPERATING LOSS	<u>(633,712)</u>
Non-Operating Revenues:	
Earnings on Investments	935
State Sources	70,965
Federal Sources	<u>511,141</u>
TOTAL NON-OPERATING REVENUES	<u>583,041</u>
LOSS BEFORE CONTRIBUTIONS AND TRANSFERS IN	(50,671)
Contributions and Transfers In:	
Capital Contribution	415,105
Operating Transfers In	<u>11,838</u>
TOTAL CONTRIBUTIONS AND TRANSFERS IN	<u>426,943</u>
INCREASE IN NET POSITION	376,272
Total Net Position - July 1, 2014	1,433,054
Prior Period Adjustment	<u>(339,984)</u>
TOTAL NET POSITION - JULY 1, 2014 (RESTATED)	<u>1,093,070</u>
TOTAL NET POSITION - JUNE 30, 2015	<u>\$ 1,469,342</u>

The accompanying notes are an integral part of this statement.

DOWNINGTOWN AREA SCHOOL DISTRICT

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2015

	Food Services
Cash Flows From Operating Activities:	
Cash Received from Users	\$ 3,310,542
Cash Payments to Suppliers for Goods and Services	(3,982,964)
NET CASH USED BY OPERATING ACTIVITIES	<u>(672,422)</u>
Cash Flows From Non-Capital Financing Activities:	
State Sources	74,454
Federal Sources	535,512
Interfund Transfers In	11,838
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>621,804</u>
Cash Flows From Capital and Related Financing Activities:	
Acquisition of Capital Assets	<u>(8,094)</u>
Cash Flows From Investing Activities:	
Earnings on Investments	935
Purchase of Investment Securities/Deposits to Investment Pools	(269)
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>666</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(58,046)
Cash and Cash Equivalents - July 1, 2014	<u>369,145</u>
CASH AND CASH EQUIVALENTS - JUNE 30, 2015	<u>\$ 311,099</u>
<u>Supplemental Schedule of Non-Cash Capital Financing Activities:</u>	
Contributed Capital - Equipment	<u>\$ 415,105</u>
<u>Reconciliation of Operating Loss to Net Cash Used by Operating Activities:</u>	
Operating Loss	\$ (633,712)
Adjustments to Reconcile Operating Loss	
to Net Cash Used by Operating Activities:	
Depreciation	97,765
Changes in Assets and Liabilities:	
Accounts Receivable	2,331
Advances from Other Funds	(11,378)
Inventories	(18,157)
Deferred Outflows of Resources - Pension Plan	(31,638)
Accounts Payable	(141,825)
Accrued Salaries and Benefits	877
Net Pension Liability	15,466
Unearned Revenue	22,439
Deferred Inflows of Resources - Pension Plan	25,410
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (672,422)</u>

The accompanying notes are an integral part of this statement.

DOWNINGTOWN AREA SCHOOL DISTRICT
Statement of Fiduciary Net Position
June 30, 2015

	Private- Purpose Trusts	Agency Funds
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 39,460	\$ 459,302
Investments	0	8,590
TOTAL ASSETS	\$ 39,460	\$ 467,892
<u>LIABILITIES</u>		
Accounts Payable	\$ 0	\$ 6,794
Due to Student Groups	0	461,098
TOTAL LIABILITIES	\$ 0	\$ 467,892
<u>NET POSITION</u>		
Restricted for Scholarships	\$ 39,460	
Unrestricted	0	
TOTAL NET POSITION	\$ 39,460	

The accompanying notes are an integral part of this statement.

DOWNINGTOWN AREA SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2015

	Private- Purpose Trusts
Additions:	
Gifts and Contributions	\$ 12,379
Deductions:	
Scholarships Awarded	<u>12,150</u>
CHANGE IN NET POSITION	229
Net Position - July 1, 2014	<u>39,231</u>
NET POSITION - JUNE 30, 2015	<u><u>\$ 39,460</u></u>

The accompanying notes are an integral part of this statement.

DOWNINGTOWN AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 1 - Summary of Significant Accounting Policies

Downingtown Area School District's (the District's) financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the District has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the District has chosen not to do so. The more significant accounting policies established in GAAP and used by the District are discussed below.

A. Reporting Entity

The School District is the basic level of government which has oversight responsibility and control over all activities related to the public school education in the Borough of Downingtown and the Townships of East Brandywine, East Caln, Upper Uwchlan, Uwchlan, Wallace, West Bradford, and West Pikeland. The District received funding from local, state, and Federal government sources and must comply with the requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined by the GASB pronouncement, since District members are elected by the public and have decision-making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

The District does not have an active corresponding School Authority. Based on component unit evaluation, no other organization is included as a component unit of the District's reporting entity.

B. Basis of Presentation

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non fiduciary activities of the School District and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

DOWNTOWN AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 1 - Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only a portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the School District.

The School District reports the following major government funds:

General Fund - The General Fund is the School District's primary operating fund. It accounts for all financial resources, except those required to be accounted for in another fund.

Capital Projects Funds - The Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by enterprise operations.

The School District reports the following major proprietary funds:

Food Service Fund - The Food Service Fund (an Enterprise Fund) is used to account for the operations of the School District's school cafeterias that are financed and operated in a manner similar to a private business enterprise where the intent of the governing body is that the cost of providing goods or services to the school population on a continuing basis will be recovered or financed primarily through user charges.

Additionally the School District reports the following fund types:

Fiduciary Funds - Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, or other governments. These include private-purpose trust funds and agency funds. Private-purpose trust funds account for resources, including both principal and earnings, which must be expended in accordance with a trust agreement, and are accounted for in essentially the same manner as proprietary funds. Agency funds are purely custodial and thus do not involve measurement of the result of operations.

DOWNINGTOWN AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 1 - Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. School districts also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The School District has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Food Service Enterprise Fund are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

For purposes of the statements of cash flows of proprietary funds, cash equivalents include all highly liquid debt instruments with original maturities of three months or less.

When both restricted and unrestricted resources are available for use, it is the School District's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity

Deposits and Investments

Under Section 440.1 of the Public School Code of 1949, as amended, the School District is permitted to invest funds consistent with sound business practices in the following types of investments:

Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (c) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral as provided by law therefore shall be pledged by the depository.

DOWNINGTOWN AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 1 - Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

Receivables and Payables

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

All trade and property tax receivables are shown net of any allowance for uncollectibles. There was no allowance for uncollectibles at June 30, 2015.

Inventories

Inventory in the Food Service Fund consists of government donated commodities which were valued at estimated fair market value at donation, and purchased commodities and supplies, both valued at cost using the first-in first-out (FIFO) method.

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. Capital assets are defined by the School District as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

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

Buildings	15-50 Years
Land Improvements	15-40 Years
Furniture and Fixtures	5-20 Years
Machinery and Equipment	5-20 Years

Deferred Outflows of Resources

The District reports decreases in net assets that relate to future periods as deferred outflows of resources in the government-wide and proprietary funds statement of net position. The District reports deferred outflow of resources related to the deferred amount related to the accumulated decrease in the fair value of hedging derivatives. The District also reports deferred outflows of resources for contributions made to the District's defined benefit pension plans between the measurement date of the net pension liabilities from those plans and the end of the District's fiscal year. No deferred outflows of resources affect the governmental funds financial statements in the current fiscal year.

DOWNINGTOWN AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 1 - Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

Deferred Inflows of Resources

The District's statements of net position and its governmental funds report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net assets that applies to a future period(s). Deferred inflows of resources are reported in the District's various statements of net position for actual pension plan investment earnings in excess of the expected amounts included in determining pension expense. In its governmental funds, the only deferred inflow of resources is for revenues that are not considered available. The District will not recognize the related revenues until they are available (collected not later than 60 days after the end of District's fiscal year) under the modified accrual basis of accounting. Accordingly, unavailable revenues from property taxes are reported in the governmental funds balance sheet.

Compensated Absences

It is the School District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Compensated absences are generally liquidated by the General Fund.

Sick Leave Pay - Sick leave is granted as appropriate with budgetary provisions being made annually for the estimated cost of substitute personnel. Employees who retire under the Pennsylvania School Employees Retirement System are paid at per diem rates ranging from \$40 to \$55 for each unused sick leave day. The District estimates its liability for unused sick days at June 30, 2015 to be \$242,658.

Accrued Severance Pay - Administrative personnel retiring that retire under the normal PSERS guidelines are eligible to receive a lump-sum severance payment at retirement. Administrative personnel receive the payment based on a formula as follows: 1.5% multiplied by years of service multiplied by highest salary. The liability to current employees is estimated and will change since the lump-sum payment will be paid at the salary in effect at the time of separation. These payments are recorded as an expenditure in the period paid or as an accrued expenditure in the fiscal year of separation. Termination compensation payable in future years amounts to \$235,905 at June 30, 2015.

Vacation and Personal Days - School District employees who are required to work on a twelve-month schedule are credited with vacation and personal days at rates which vary with length of service or job classification. If separation of service occurs in the year subsequent to earning, then the unused balance of what was earned in the prior year is paid at separation. The liability at June 30 represents vacation earned at that date that will be taken in the subsequent year. The liability payable amounts to \$2,145,271 at June 30, 2015.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year they are incurred in both the government-wide and fund financial statements.

DOWNINGTOWN AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 1 - Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

Long-Term Obligations (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as support service expenditures.

Government-Wide and Proprietary Fund Net Position

Government-wide and proprietary fund net position is divided into three components:

Invested in Capital Assets, Net of Related Debt - Consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.

Restricted for: Capital Projects - Consists of the capital projects fund fund-balance that is restricted by the District for capital outlays.

Unrestricted - Consists of all other net position reported in this category.

Governmental Fund Balances

The District has adopted GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions as of July 1, 2010. The intention of the statement is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the District's financial statements. The statement establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable - Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - Amounts that can be used only for specific purposes because of state or federal laws, or externally imposed by grantors or creditors.

Committed - Amounts that can be used only for specific purposes determined by a formal action by the Board of Directors resolution.

Assigned - Amounts the District intends to use for a specific purpose. Intent can be expressed by the Board of Directors or by an official or body to which the Board of Directors delegates the authority.

Unassigned - Amounts available for any purpose. Positive amounts are reported only in the General Fund.

DOWNINGTOWN AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 1 - Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

Governmental Fund Balances (Continued)

The Board of Directors establishes (and modifies and rescinds) fund balance commitments by passage of a resolution. The District's policy is to first apply an expenditure toward restricted fund balances followed by committed fund balances and then to assigned fund balances before using unassigned fund balances.

The District will strive to maintain an unassigned fund balance for the general fund of eight percent of the total budgeted general fund expenditures for each fiscal year, which is the maximum percentage that is currently allowed by Pennsylvania Law. The total fund balance for the general fund, consisting of nonspendable, restricted, committed, assigned and unassigned balances, may exceed eight percent.

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

NOTE 2 - Budgetary Information

1. Prior to June 30 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board of School Directors is then called for the purpose of adopting the proposed budget.
3. Prior to July 1, the budget is legally enacted through passage of a resolution by the Board of School Directors.
4. The budget must be filed with the Pennsylvania Department of Education by July 31.

The budget is controlled by the School Business Administrator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board of School Directors. The Board of School Directors may make transfers of funds appropriated to any particular item of expenditure by legislative action in accordance with the Pennsylvania School Code. All budget appropriations lapse at year end.

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

DOWNINGTOWN AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 3 - Deposits and Investments

Deposits - At year end, the total carrying amount of the School District's checking, savings, and money market deposits was \$52,870,026, and the corresponding bank balance was \$53,275,647.

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District's policy for custodial credit risk requires that all deposits be purchased in the name of the School District. The School District maintains cash balances at several financial institutions. The accounts at these institutions are insured by the Federal Deposit Insurance Corporation. In the normal course of business, the School District may have deposits that exceed insured balances.

Investments - Statutes authorize the District to invest in U.S. Government Agency bonds, time, or share accounts, or institutions insured by the Federal Deposit Insurance Corporation or Federal Savings and Loan Insurance Corporation, or in certificates of deposit when they are secured by proper bond or collateral, repurchase agreements, State Treasurer's Investment pools, or mutual funds.

All funds in the Pennsylvania School District Liquid Asset Fund, Pennsylvania Local Government Investment Trust, and Pennsylvania Treasurer's Investment Program are invested in accordance with Section 440.1 of the School Code. These funds operate and are authorized under the Intergovernmental Cooperation Act of 1972. Each school district owns a prorata share of each investment or deposit which is held in the name of the Fund. Certificates of deposit or other fixed-term investments purchased by the School District through the Fund's administrator are purchased in the name of the School District.

Interest Rate Risk - The District's investment policy requires the mitigation of interest rate risk as a means of managing its exposure to fair value losses arising from changing interest rates.

Credit Risk - The District's investment policy requires the mitigation of credit risk to ensure safety of principle.

Concentration of Credit Risk - The District places no limit on the amount the District may invest in any one issuer, as long as it is in accordance with the requirements of its investment policy.

The School District's investments at June 30, 2015 consisted of the following:

	<u>Credit Rating</u>	<u>Fair Value</u>
<u>Pooled Investments:</u>		
Pennsylvania School District Liquid Asset Fund:		
General Fund Accounts	AAA	\$ 2,238,515
Capital Projects Fund Accounts	AAA	64,821,675
Food Service Fund Account	AAA	844,161
Trust and Agency Account	AAA	8,590
TOTAL		<u>67,912,941</u>
Pennsylvania Local Government Investment Trust:		
General Fund Accounts	AAA	<u>155,111</u>
TOTAL POOLED INVESTMENTS (CARRIED FORWARD)		68,068,052

DOWNINGTOWN AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 3 - Deposits and Investments (Continued)

TOTAL POOLED INVESTMENTS (BROUGHT FORWARD)		68,068,052
<u>Other Investments:</u>		
Certificates of Deposit:		
General Fund Accounts	Not Applicable	36,714,048
Capital Projects Fund Accounts	Not Applicable	19,338,128
Investment Derivative Instrument (Government-Wide only)	Not Applicable	1,314,279
TOTAL CERTIFICATES OF DEPOSIT		57,366,455
Agency Bonds:		
Capital Projects Fund Accounts	AAA	1,550,731
TOTAL OTHER INVESTMENTS		58,917,186
TOTAL INVESTMENTS		<u>\$ 126,985,238</u>

Derivative Instruments

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2015, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2015 financial statements are as follows:

	<u>Changes in Fair Value</u>		<u>Fair Value at June 30, 2015</u>		
	<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	<u>Notional</u>
Governmental activities					
Cash flow hedges:					
Pay-fixed interest rate swaps	Deferred outflow of resources	\$ 417,441	Debt	\$ (7,498,311)	\$ 53,375,000
Investment derivative instruments:					
Pay-variable interest rate swap	Investment	\$ 284,219	Investment	\$ 1,314,279	\$ 45,050,000

Fair value - The fair value of the interest rate swaps are derived from proprietary models based upon well recognized financial principles and reasonable estimates about relevant future market conditions.

DOWNINGTOWN AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 3 - Deposits and Investments (Continued)

Hedging Derivatives

Objective and Terms of Hedging Derivative Instruments - The following table displays the objective and terms of the District's hedging derivative instruments outstanding as of June 30, 2015, along with the credit rating of the associated counterparty.

<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 of changes in cash flows on the 2006C & 2006A bonds	\$ 34,400,000	2/1/2007	8/1/2022	Pay 3.5%; receives 70% of 3-Month LIBOR (Effective 2/1/2011)	AA/AA-
Pay-fixed interest rate swaps	Hedge of changes in cash flows on the 2010 bonds	\$ 18,975,000	1/1/2010	5/1/2030	Pay 3.7%; receives 70% of 3-Month LIBOR (Effective 11/1/2010)	AA/AA-

Risks that could give rise to financial loss for hedging derivatives held at the end of the year include:

Credit risk - As of June 30, 2015, the District was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become 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, 2015.

Interest rate risk - 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. As of June 30, 2015, the weighted-average interest rate on the District's hedged variable-rate debt was 0.18 percent, while seventy percent of the 3-month London Inter-Bank Offered Rate (LIBOR) was 0.20 percent.

Investment Derivatives

Terms - The District is invested in a pay-variable, receive-variable interest rate swap with a notional amount of \$45,050,000 representing the District's 2009 Series AA Bonds. The District makes semiannual variable payments to the counterparty in the amount of the SIFMA swap index and receives a variable payment based on 75 percent of 3-month LIBOR plus 0.45 percent. The swap was executed in April of 2009 and matures in November of 2029.

Fair value - The fair value of the interest rate swap was derived from proprietary models based upon well recognized financial principles and reasonable estimates about relevant future market conditions.

Credit risk - As of June 30, 2015, the District was exposed to credit risk because the swap had a positive fair value. The District is 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, 2015.

DOWNINGTOWN AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 3 - Deposits and Investments (Continued)

Investment Derivatives (Continued)

Interest rate risk - The swap exposes the District to interest rate risk should 75% of the three-month LIBOR plus 0.454% be less than the SIFMA swap index, which would result in net cash outflows paid by the District. As of June 30, 2015, 75% of the 3-month LIBOR plus 0.45% was 0.67%, and SIFMA swap index was 0.07%.

NOTE 4 - Taxes Receivable

	General	Other Funds	Total
Real Estate Taxes	\$ 3,884,264	\$ 0	\$ 3,884,264
Transfer Taxes	248,497	0	248,497
Earned Income Taxes	121,195	0	121,195
Other Taxes	1,999	0	1,999
	<u>4,255,955</u>	<u>0</u>	<u>4,255,955</u>
Less: Allowance for Uncollectibles	<u>0</u>	<u>0</u>	<u>0</u>
NET TAXES RECEIVABLE	<u>\$ 4,255,955</u>	<u>\$ 0</u>	<u>\$ 4,255,955</u>

At the end of the current fiscal year, the District reported deferred inflows of resources, related to unavailable real estate revenue, in the amount of \$3,357,401 in the governmental funds.

NOTE 5 - Interfund Receivables, Payables and Transfers

	Receivables	Payables
General Fund	\$ 0	\$ 19,625,909
Capital Projects Fund	30,401,147	10,802,488
Food Service Fund	27,250	0
	<u>\$ 30,428,397</u>	<u>\$ 30,428,397</u>
	Transfer to Other Funds	Transfer from Other Funds
General Fund (Non-Reimbursement)	\$ 15,484,955	\$ 0
General Fund (Reimbursement for Curriculum)	1,406,040	0
General Fund (Reimbursement for Technology)	2,669,811	0
General Fund (Reimbursement for Food Service Student Accounts)	11,838	0
Capital Projects Fund (Non-Reimbursement)	0	15,484,955
Capital Projects Fund (Reimbursement for Curriculum)	0	1,406,040
Capital Projects Fund (Reimbursement for Technology)	0	2,669,811
Capital Projects Fund (Reimbursement for Capital)	13,440,000	13,440,000
Proprietary Fund (Reimbursement for Food Service Student Accounts)	0	11,838
	<u>\$ 33,012,644</u>	<u>\$ 33,012,644</u>

DOWNINGTOWN AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 6 - Capital Assets

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital Assets:				
Land	\$ 41,375,333	\$ 0	\$ 0	\$ 41,375,333
Land Improvements	15,652,169	142,094	0	15,794,263
Buildings	283,074,501	37,975,480	0	321,049,981
Construction in Progress	35,979,193	8,883,211	39,649,728	5,212,676
Furniture and Equipment	28,119,690	4,333,815	4,917,270	27,536,235
TOTAL CAPITAL ASSETS	404,200,886	51,334,600	44,566,998	410,968,488
Accumulated Depreciation for:				
Land Improvements	10,550,462	833,970	0	11,384,432
Buildings	86,910,013	7,341,790	0	94,251,803
Furniture and Equipment	14,741,568	3,722,191	4,917,270	13,546,489
TOTAL ACCUMULATED DEPRECIATION	112,202,043	11,897,951	4,917,270	119,182,724
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET	<u>\$ 291,998,843</u>	<u>\$ 39,436,649</u>	<u>\$ 39,649,728</u>	<u>\$ 291,785,764</u>
<u>Business-Type Activities:</u>				
Capital Assets:				
Machinery and Equipment	\$ 2,775,919	\$ 423,199	\$ 47,444	\$ 3,151,674
Accumulated Depreciation for:				
Machinery and Equipment	2,183,176	97,765	47,444	2,233,497
BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS, NET	<u>\$ 592,743</u>	<u>\$ 325,434</u>	<u>\$ 0</u>	<u>\$ 918,177</u>

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

Governmental Activities - Unallocated	\$ 11,897,951
Business-Type Activities	97,765
TOTAL	<u>\$ 11,995,716</u>

DOWNINGTOWN AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 7 - Long-Term Debt

	Principal Outstanding July 1, 2014	Maturities	Additions	Principal Outstanding June 30, 2015
General Obligation Note Series A of 2006	\$ 19,300,000	\$ 100,000	\$ 0	\$ 19,200,000
General Obligation Note Series C of 2006	15,200,000	0	0	15,200,000
General Obligation Bonds Series AA of 2009	49,175,000	4,125,000	0	45,050,000
General Obligation Bonds Series of 2010	19,850,000	875,000	0	18,975,000
General Obligation Bonds Series A of 2010	10,465,000	10,465,000	0	0
General Obligation Bonds Series A QSCB of 2010	23,308,350	1,664,882	0	21,643,468
General Obligation Bonds Series of 2011	13,315,000	13,315,000	0	0
General Obligation Bonds Series C QSCB of 2011	11,756,000	734,750	0	11,021,250
TOTAL	162,369,350	31,279,632	0	131,089,718
Less: Deferred Amounts: Issuance Premium (Discounts)	3,849,371	367,805	0	3,481,566
LONG-TERM DEBT	<u>\$166,218,721</u>	<u>\$31,647,437</u>	<u>\$ 0</u>	<u>\$134,571,284</u>

DOWNINGTOWN AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2015

NOTE 7 - Long-Term Debt (Continued)

	<u>Current Outstanding Principal</u>
General Obligation Note, Series A of 2006. Original principal amount of \$19,900,000, maturing August 1, 2021, bearing interest at a variable rate. The rate at June 30, 2015 was 0.04%.	\$ 19,200,000
General Obligation Note, Series C of 2006. Original principal amount of \$15,200,000, maturing August 1, 2022, bearing interest at a variable rate. The rate at June 30, 2015 was 0.04%.	15,200,000
General Obligation Bonds, Series AA of 2009. Original principal amount of \$67,070,000, maturing November 1, 2029, bearing interest from 2.0% to 5.0%.	45,050,000
General Obligation Bonds, Series of 2010. Original principal amount of \$23,680,000, maturing May 1, 2030, bearing interest at variable rates. The rate at June, 30, 2015 was 0.44%.	18,975,000
General Obligation Bonds, Series A of 2010 QSCB. Original principal amount of \$28,303,000, maturing September 1, 2027, bearing interest at 5%, of which 4.83% is subsidized by the federal government.	21,643,468
General Obligation Bonds, Series C of 2011 QSCB. Original principal amount of \$11,766,000, maturing September 1, 2029, bearing interest at 5.088%, which is fully subsidized by the federal government.	<u>11,021,250</u>
TOTAL	<u>\$131,089,718</u>

DOWNTOWN AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 7 - Long-Term Debt (Continued)

The annual requirements to amortize all debts outstanding as of June 30, 2015 are as follows :

<u>Year Ended:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 7,739,632	\$ 4,356,208	\$ 12,095,840
2017	7,984,632	4,110,776	12,095,408
2018	8,239,632	3,857,105	12,096,737
2019	12,279,632	3,498,219	15,777,851
2020	12,594,632	3,017,544	15,612,176
2021-2025	54,358,160	8,298,884	62,657,044
2026-2030	27,893,398	2,570,129	30,463,525
TOTAL MATURITIES	\$ 131,089,718	\$ 29,708,865	\$ 160,798,583

The interest expense presented in the table above is net of the Federal subsidy to reimburse interest costs on the 2010 and 2011 QSCB Bonds. The amount of the subsidy is \$1,965,689 each year through 2020, \$9,828,445 from 2021-2025, and \$6,111,530 from 2026-2030.

Swap Payments and Associated Debt

Hedging derivative instrument payments and hedged debt - As of June 30, 2015, aggregate debt service requirements of the District's debt and net receipts/payments on associated hedging derivative instruments are as follows. These amounts assume that current interest rates on variable-rate bonds and current reference rates of hedging derivative instruments will remain the same for their term. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the hedging derivative instruments will vary. Refer to Note 3 for information on derivative instruments.

<u>Year Ended:</u>	<u>Bonds with Associated Derivatives</u>		<u>Interest Rate</u>	<u>Totals</u>
	<u>Principal</u>	<u>Interest</u>	<u>Swap, Net</u>	
2016	\$ 1,010,000	\$ 434,804	\$ 1,780,858	\$ 3,225,662
2017	1,055,000	425,055	1,745,719	3,225,774
2018	1,095,000	414,861	1,709,007	3,218,868
2019	1,140,000	404,270	1,670,897	3,215,167
2020	8,490,000	343,716	1,515,927	10,349,642
2021-2025	32,825,000	767,101	3,317,798	36,909,899
2026-2030	7,760,000	202,554	715,302	8,677,856
TOTAL	\$ 53,375,000	\$ 2,992,361	\$ 12,455,507	\$ 68,822,868

DOWNINGTOWN AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 8 - Defeased Bonds

As a result of certain bond refundings which require that funds be placed in escrow, the District has defeased bonds. Escrow accounts were established to provide for future debt service on the defeased bonds. Defeased bonds are no longer outstanding under the Pennsylvania Local Government Unit Debt Act. The escrow accounts assets and the liabilities for the defeased debt below are not included in the District's financial statements.

	<u>Call Date</u>	<u>Interest Rates</u>	<u>Outstanding Principal at June 30, 2015</u>
General Obligation Bonds Series A of 2010	10/15/15	1.00 – 3.65%	\$ 10,460,000
General Obligation Bonds Series of 2011	04/01/18	0.62 – 2.85%	\$ 10,135,000

NOTE 9 - Changes in Other Long-Term Liabilities

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2015</u>
Accrued Vacation	\$ 1,989,177	\$ 156,094	\$ 0	\$ 2,145,271
Accrued Severance and Sick Days	450,432	28,131	0	478,563
TOTAL	\$ 2,439,609	\$ 184,225	\$ 0	\$ 2,623,834

NOTE 10 - Construction Commitments

At June 30, 2015, the School District's capital projects fund had outstanding construction commitments amounting to \$3,334,174 for the renovations to various schools.

NOTE 11 - Fund Balances - General Fund

Nonspendable:		
Prepaid Expenses		\$ 38,145
Assigned:		
Future Healthcare Claims	5,003,282	
Future PSERS Obligations	<u>2,648,281</u>	7,651,563
Unassigned		<u>16,584,242</u>
TOTAL FUND BALANCES - GENERAL FUND		<u>\$ 24,273,950</u>

DOWNINGTOWN AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 12 - Property Tax

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

Discount Period - July 1 to August 31 - 2% of Gross Levy

Flat Period - September 1 to October 31

Penalty Period - November 1 to Collection - 10% of Gross Levy

Property taxes attach as an enforceable lien on property after December 31.

The following is a detail analysis of current year tax revenues:

Assessed Valuation, Adjusted by	
Authorized Revisions	\$5,244,804,987
Approved Tax Rate in Mills	27.182
GROSS LEVY	<u>142,564,289</u>
Plus Penalties Applied	216,172
Deductions:	
Discounts	(2,378,768)
Assessment Changes and Exonerations	(1,733,498)
State Property Tax Reduction Allocation	(3,881,937)
Taxes Liened	<u>(2,777,218)</u>
NET CURRENT YEAR PROPERTY TAX REVENUE	<u>\$ 132,009,040</u>

NOTE 13 - Employee Retirement Systems and Pension Plans

Pensions

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

Plan Description

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

DOWNINGTOWN AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 13 - Employee Retirement Systems and Pension Plans (Continued)

Benefits Provided

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

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

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

Member Contributions

1. Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.
2. Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.
3. Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.
4. Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

DOWNINGTOWN AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 13 - Employee Retirement Systems and Pension Plans (Continued)

Employer Contributions

The school districts' contractually required contribution rate for fiscal year ended June 30, 2015 was 20.50% 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 \$16,574,407 for the year ended June 30, 2015.

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

At June 30, 2015, the District reported a liability of \$247,735,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014 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, 2013 to June 30, 2014. 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, 2014, the District's proportion was .006259%, which was an increase of \$10,779,000 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$23,013,000. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 0	\$ 0
Changes in assumptions	0	0
Net difference between projected and actual investment		
Earnings	0	17,710,000
Changes in proportions	5,476,000	0
Difference between employer contributions and proportionate share of total contributions	0	0
Contributions subsequent to the measurement date	16,574,407	0
	<u>\$ 22,050,407</u>	<u>\$ 17,710,000</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date of \$16,574,407 will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

<u>Year ending June 30:</u>	
2015	\$ 3,108,000
2016	3,108,000
2017	3,108,000
2018	3,108,000
2019	(198,000)
Thereafter	<u>\$ 12,234,000</u>

DOWNINGTOWN AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 13 - Employee Retirement Systems and Pension Plans (Continued)

Actuarial Assumptions

The total pension liability as of June 30, 2014 was determined by rolling forward the System's total pension liability as of the June 30, 2013 actuarial valuation to June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return – 7.50%, includes inflation at 3.00%
- Salary increases – Effective average of 5.50%, which reflects an allowance for inflation of 3.00%, real wage growth of 1%, and merit or seniority increases of 1.50%
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females. 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.

The actuarial assumptions used in the June 30, 2013 valuation were based on the experience study that was performed for the five-year period ending June 30, 2010. The recommended assumption changes based on this experience study were adopted by the Board at its March 11, 2011 Board meeting, and were effective beginning with the June 30, 2011 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public markets global equity	19%	5.0%
Private markets (equity)	21%	6.5%
Private real estate	13%	4.7%
Global fixed income	8%	2.0%
U.S. long treasuries	3%	1.4%
TIPS	12%	1.2%
High yield bonds	6%	1.7%
Cash	3%	0.9%
Absolute return	10%	4.8%
Risk parity	5%	3.9%
MLPs/Infrastructure	3%	5.3%
Commodities	6%	3.3%
Financing (LIBOR)	(9%)	1.1%
	<u>100%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2014.

DOWNINGTOWN AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 13 - Employee Retirement Systems and Pension Plans (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability, calculated using the discount rate of 7.50%, 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:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
District's Proportionate Share of the Net Pension Liability	\$ 309,016,000	\$ 247,735,000	\$ 195,419,000

Pension Plan Fiduciary Net Position

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System's website at www.psers.state.pa.us.

NOTE 14 - Other Post-employment Benefits

Plan Description

The School District provides health benefits, which includes medical, prescription, dental, and vision benefits, as a post-employment benefit to those retirees and their spouses who meet the qualifying criteria. The health insurance plan is a single employer, defined benefit OPEB plan. Life insurance is also provided to specific groups.

The School District has the following groups of employees: teachers, administrators, confidentials, and support staff, both union and non-union. The eligibility and duration of post-retirement benefits for these groups are defined in either a Collective Bargaining Agreement or Compensation Agreement. Otherwise, they may still qualify for benefits subject to Acts 110 and 43.

The medical, prescription drug, dental and vision benefits are self insured. Medical benefits are administered by Independence Blue Cross. Prescription is administered by ExpressScripts. The dental benefit is through Delta Dental of Pennsylvania. Vision Benefits of America provides the vision benefit. The term life insurance is purchased from Reliance Standard Life Insurance Company.

DOWNINGTOWN AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2015

NOTE 14 - Other Post-employment Benefits (Continued)

Funding Policy

A retiree may elect to continue his/her current benefit coverage. The amount that the retiree must pay towards health benefits is defined in either a Collective Bargaining Agreement or Compensation Agreement. The School District is responsible for funding the balance of the benefits.

As of June 30, 2015, the School District has no segregated assets to fund this liability. It is the intention of the School District to pay claims as they are incurred.

Funding Progress

As of July 1, 2014, the date of the most recent actuarial report, the actuarial accrued liability for benefits was \$10,463,440, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$80,223,242 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 13%.

The projection of future benefit payments for an ongoing plan involves 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 the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer 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 supplemental information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan 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 the substantive plan and include the types of benefits provided at the time of each valuation and the historical sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actual value of assets, consistent with the long term perspective of the calculations. In the July 1, 2014 actuarial valuation, the following actuarial assumptions were used:

Interest	4.5%
Actuarial Cost Method	Entry Age Normal
Amortization Period	9 Years, Closed Period
Salary Increases	An assumption for salary increases is used only for spreading contributions over future pay under the entry age normal cost method. For that purpose, salary increases are composed of a 2.5% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75 to 0.25%.

Annual OPEB Cost and NET OPEB Obligations

The District's annual other Post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan and the changes in the District's net OPEB obligation.

DOWNINGTOWN AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 14 - Other Post-employment Benefits (Continued)

Annual OPEB Cost and NET OPEB Obligations (Continued)

Annual OPEB Cost:	
Normal Cost	\$ 670,947
Amortization of Unfunded Actuarial	
Accrued Liability	1,439,500
Interest on Net OPEB Obligation	236,187
Funding Adjustment	(722,073)
ANNUAL OPEB COST	\$ 1,624,561
Net OPEB Obligation:	
Normal OPEB Obligation July 1, 2014	\$ 5,248,601
OPEB Cost for the year ended June 30, 2015	1,624,561
Estimated Contributions for the year ended June 30, 2015	(815,613)
NET OPEB OBLIGATION	\$ 6,057,549

The District's annual OPEB cost, the percentage of annual OPEB cost contributed, and the net OPEB obligation for the year ended June 30, 2015 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	\$ 1,976,761	23.19%	\$ 3,822,596
June 30, 2014	2,057,913	30.71%	5,248,601
June 30, 2015	1,624,561	50.21%	6,057,549

NOTE 15 - Prior Period Adjustment

Net position as of June 30, 2014 has been restated as a result of the District's adoption of Government Accounting Standards Board Statement No. 68 *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*. The statement required the inclusion of the net pension liability related to the pension plans on the statement of net position for the governmental activities and business-type activities. The effect of the restatement was to reduce District-wide net position as of July 1, 2014 by \$236,956,000 (net position for governmental activities was reduced \$236,616,016 as of July 1, 2014 and net position for business-type activities was reduced by July 1, 2014 by \$339,984).

NOTE 16 - Subsequent Events

The District has evaluated subsequent events through December 14, 2015, which represents the date the financial statements were available to be issued.

DOWNTOWN AREA SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2015

	Original Budget	Amended Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Local Revenues	\$ 155,097,493	\$ 155,097,493	\$ 161,347,717	\$ 6,250,224
State Program Revenues	40,717,507	40,717,507	40,489,476	(228,031)
Federal Program Revenues	1,020,000	2,843,176	2,758,810	(84,366)
TOTAL REVENUES	<u>196,835,000</u>	<u>198,658,176</u>	<u>204,596,003</u>	<u>5,937,827</u>
Expenditures:				
Regular Programs	90,286,288	89,701,856	82,933,616	6,768,240
Special Programs	25,849,778	25,845,524	24,485,681	1,359,843
Vocational Programs	5,394,047	5,485,458	5,367,294	118,164
Other Instructional Programs	1,824,222	1,798,748	1,550,445	248,303
Pupil Personnel Services	6,646,435	6,754,829	6,644,737	110,092
Instructional Staff Services	5,608,033	5,586,227	5,159,824	426,403
Administrative Services	10,821,188	10,805,294	10,594,845	210,449
Pupil Health	3,010,261	2,913,214	2,569,803	343,411
Business Services	1,563,524	1,744,117	1,687,424	56,693
Operation and Maintenance of				
Plant Services	13,604,300	14,021,998	13,749,844	272,154
Student Transportation Services	11,118,147	11,124,147	10,926,856	197,291
Central and Other Support Services	4,093,679	3,953,622	3,526,222	427,400
Student Activities	3,244,593	3,697,850	3,675,858	21,992
Community Services	52,250	75,050	66,400	8,650
Facilities Acquisition,				
Construction/Improvement Services	1,468,255	1,411,880	187,621	1,224,259
Debt Service	16,190,000	17,923,176	13,887,128	4,036,048
TOTAL EXPENDITURES	<u>200,775,000</u>	<u>202,842,990</u>	<u>187,013,598</u>	<u>15,829,392</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(3,940,000)</u>	<u>(4,184,814)</u>	<u>17,582,405</u>	<u>21,767,219</u>
Other Financing Sources (Uses):				
Interfund Transfers Out (Reimbursement)	0	0	(4,087,689)	(4,087,689)
Interfund Transfers Out (Non-Reimbursement)	0	0	(15,484,955)	(15,484,955)
Sale of Capital Assets	0	0	37,165	37,165
Refunds of Prior Years Revenues	(60,000)	(10,000)	(2,474)	7,526
Refunds of Prior Years Expenses	0	0	121,572	121,572
Budgetary Reserve	(500,000)	(305,186)	0	305,186
TOTAL OTHER FINANCING SOURCES (USES)	<u>(560,000)</u>	<u>(315,186)</u>	<u>(19,416,381)</u>	<u>(19,101,195)</u>
NET CHANGE IN FUND BALANCES	<u>(4,500,000)</u>	<u>(4,500,000)</u>	<u>(1,833,976)</u>	<u>2,666,024</u>
Fund Balance - July 1, 2014	<u>56,606,800</u>	<u>26,107,926</u>	<u>26,107,926</u>	<u>0</u>
FUND BALANCE - JUNE 30, 2015	<u>\$ 52,106,800</u>	<u>\$ 21,607,926</u>	<u>\$ 24,273,950</u>	<u>\$ 2,666,024</u>

DOWNINGTOWN AREA SCHOOL DISTRICT
Schedule of Post Employment Benefit Obligation Funding Progress
For the Year Ended June 30, 2015

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
July 1, 2010	0	10,699,600	10,699,600	0%	78,873,496	13.57%
July 1, 2012	0	13,275,100	13,275,100	0%	76,701,280	17.31%
July 1, 2014	0	10,463,440	10,463,440	0%	80,223,242	13.04%

DOWNINGTOWN AREA SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2015

<u>Year Ended</u>	<u>District's Proportion of the Net Pension Liability (Asset)</u>	<u>District's Proportionate Share of the Net Pension Liability (Asset)</u>	<u>District's Covered Payroll</u>	<u>Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
June 30, 2014	0.6259%	\$247,735,000	\$79,863,944	310.20%	27.29%

DOWNINGTOWN AREA SCHOOL DISTRICT
Schedule of the District's Pension Contributions
For the Year Ended June 30, 2015

<u>Year Ended</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Excess/ (Deficiency)</u>	<u>District's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2013	\$8,394,119	(\$8,394,119)	\$0	\$78,188,129	10.74%
June 30, 2014	12,468,000	(12,468,000)	\$0	79,863,944	15.61%

DOWNINGTOWN AREA SCHOOL DISTRICT

Combined Balance Sheet

Capital Projects Funds

June 30, 2015

<u>ASSETS</u>	Capital Reserve Fund	Capital Project Fund 33	Capital Project Fund 34	Capital Project Fund 35	Total
Cash and Cash Equivalents	\$ 1,816,244	\$ 33,682	\$ 103,101	\$ 27,043,577	\$ 28,996,604
Investments	23,137,593	0	14,250,293	48,322,648	85,710,534
Interest Receivable	44,813	0	310	42,570	87,693
Due from Other Funds	0	0	0	30,401,147	30,401,147
TOTAL ASSETS	\$ 24,998,650	\$ 33,682	\$ 14,353,704	\$ 105,809,942	\$ 145,195,978
 <u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts Payable and Other Accrued Liabilities	\$ 237	\$ 13,266	\$ 0	\$ 2,278,168	\$ 2,291,671
Due to Other Funds	0	0	10,802,488	0	10,802,488
TOTAL LIABILITIES	237	13,266	10,802,488	2,278,168	13,094,159
 Fund Balance					
Assigned	24,998,413	20,416	3,551,216	103,531,774	132,101,819
TOTAL LIABILITIES AND FUND BALANCES	\$ 24,998,650	\$ 33,682	\$ 14,353,704	\$ 105,809,942	\$ 145,195,978

DOWNINGTOWN AREA SCHOOL DISTRICT
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Capital Projects Funds
For the Year Ended June 30, 2015

	Capital Reserve Fund	Capital Project Fund 33	Capital Project Fund 34	Capital Project Fund 35	Total
Revenues:					
Earnings from Investments	\$ 76,004	\$ 95	\$ 15,278	\$ 183,239	\$ 274,616
Expenditures:					
Instruction	0	0	0	1,486,508	1,486,508
Support Services	0	0	0	427,787	427,787
Non-Instructional Services	0	0	0	416,656	416,656
Facilities Acquisition, Construction/Improvement Services	0	2,617,191	0	7,003,980	9,621,171
Debt Service	0	0	0	24,977,043	24,977,043
TOTAL EXPENDITURES	0	2,617,191	0	34,311,974	36,929,165
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	76,004	(2,617,096)	15,278	(34,128,735)	(36,654,549)
Other Financing Sources (Uses):					
Interfund Transfers In (Reimbursement)	0	2,637,512	0	14,878,339	17,515,851
Interfund Transfers In (Non-Reimbursement)	0	0	0	15,484,955	15,484,955
Interfund Transfers Out (Reimbursement)	0	0	(13,440,000)	0	(13,440,000)
Miscellaneous Income	0	0	0	516,465	516,465
TOTAL OTHER FINANCING SOURCES (USES)	0	2,637,512	(13,440,000)	30,879,759	20,077,271
NET CHANGE IN FUND BALANCES	76,004	20,416	(13,424,722)	(3,248,976)	(16,577,278)
Fund Balances - July 1, 2014	24,922,409	0	16,975,938	106,780,750	148,679,097
FUND BALANCES - JUNE 30, 2015	\$ 24,998,413	\$ 20,416	\$ 3,551,216	\$ 103,531,774	\$132,101,819

DOWNINGTOWN AREA SCHOOL DISTRICT

General Fund

Borrowing Base Calculation

6/30/2015

(Unaudited)

	Year Ended June 30,		
	2013	2014	2015
Gross Revenues Received - General Fund	<u>\$ 194,028,339</u>	<u>\$ 199,915,160</u>	<u>\$ 204,596,003</u>
Deductions Pursuant to Section 102(c) (16) of Act 185 of 1972;			
(i) Subsidy - Rentals and Sinking Fund Payments	1,541,547	1,892,129	782,427
(ii) Sale of Capital Assets and Other			
Non-Recurring Revenues	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL DEDUCTIONS	<u>1,541,547</u>	<u>1,892,129</u>	<u>782,427</u>
 TOTAL REVENUES AS DEFINED IN SECTION 102(C) (16) OF ACT 185 OF 1972	 <u>\$ 192,486,792</u>	 <u>\$ 198,023,031</u>	 <u>\$ 203,813,576</u>
 TOTAL REVENUES FOR PAST THREE YEARS	 <u>\$ 563,205,318</u>	 <u>\$ 577,132,166</u>	 <u>\$ 594,323,399</u>
 BORROWING BASE - AVERAGE ANNUAL REVENUES	 <u>\$ 187,735,106</u>	 <u>\$ 192,377,389</u>	 <u>\$ 198,107,800</u>
 DEBT LIMIT - 225% OF BORROWING BASE	 <u>\$ 422,403,989</u>	 <u>\$ 432,849,125</u>	 <u>\$ 445,742,549</u>

DOWNINGTOWN AREA SCHOOL DISTRICT
Comparative Statements of Revenues, Expenditures
and Changes in Fund Balances
General Fund

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local Sources	\$ 161,347,717	\$ 158,062,114	\$ 155,165,778	\$ 150,471,909	\$ 146,373,855	\$ 144,795,089	\$ 141,835,270	\$ 140,460,808	\$ 133,878,348	\$ 123,228,464
State Sources	40,489,476	38,795,263	35,850,554	36,203,487	34,875,076	34,458,093	35,339,348	31,863,050	29,369,445	26,946,917
Federal Sources	2,758,810	3,057,783	3,012,007	3,140,124	5,757,006	3,925,070	919,583	926,430	921,618	440,054
TOTAL REVENUES	204,596,003	199,915,160	194,028,339	189,815,520	187,005,937	183,178,252	178,094,201	173,250,288	164,169,411	150,615,435
Expenditures:										
Instruction	114,337,036	107,576,872	102,566,445	100,946,540	101,266,153	99,285,913	94,539,968	90,819,066	86,588,344	78,808,441
Support Services	54,859,555	50,494,222	47,672,427	46,149,161	48,032,336	45,981,821	45,689,080	42,808,857	40,044,183	37,723,032
Non-Instructional Services	3,742,258	3,418,070	3,405,943	3,234,836	3,353,499	1,081,001	1,163,735	661,828	650,344	675,014
Capital Outlay	187,621	300,250	1,558,131	3,000,000	0	0	0	0	0	0
Debt Service	13,887,128	16,801,219	27,185,883	26,836,505	18,287,185	18,786,810	19,078,257	17,567,225	16,878,467	14,563,115
TOTAL EXPENDITURES	187,013,598	178,590,633	182,388,829	180,167,042	170,939,173	165,135,545	160,471,040	151,856,976	144,159,338	131,768,602
EXCESS OF REVENUES OVER										
EXPENDITURES	17,582,405	21,324,527	11,639,510	9,648,478	16,066,764	18,042,707	17,623,161	21,393,312	20,010,073	18,845,833
Other Financing Sources (Uses):										
Interfund Transfers In	0	0	0	0	0	0	56,767	0	0	0
Interfund Transfers Out	(19,572,644)	(25,071,254)	(20,745,138)	(21,931,206)	(6,374,284)	(16,367,662)	(17,294,983)	(18,027,119)	(20,500,000)	(17,625,000)
Sale of Capital Assets	37,165	17,064	3,675	16,100	0	0	0	0	0	0
Capital Lease Debt Issued	0	0	0	0	713,040	0	0	0	0	0
Refunds of Prior Years Expenses (Revenues)	119,098	239,113	384	(10,642)	36,170	55,209	165,470	(230,295)	(304,446)	(823,635)
TOTAL OTHER FINANCING SOURCES (USES)	(19,416,381)	(24,815,077)	(20,741,079)	(21,925,748)	(5,625,074)	(16,312,453)	(17,072,746)	(18,257,414)	(20,804,446)	(18,448,635)
NET CHANGE IN FUND BALANCES	(1,833,976)	(3,490,550)	(9,101,569)	(12,277,270)	10,441,690	1,730,254	550,415	3,135,898	(794,373)	397,198
Fund Balances - Beginning	26,107,926	29,598,476	38,700,045	50,977,315	40,535,625	38,450,605	37,733,000	34,580,483	12,196,392	11,799,194
Prior Period Adjustment	0	0	0	0	0	0	167,190	16,619	23,178,464	0
FUND BALANCES - ENDING (RESTATED)	26,107,926	29,598,476	38,700,045	50,977,315	40,535,625	38,450,605	37,900,190	34,597,102	35,374,856	11,799,194
FUND BALANCES - JUNE 30	\$ 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	\$ 12,196,392



A Professional Corporation
Certified Public Accountants
Business Consultants

- 57 -

DOWNINGTOWN AREA SCHOOL DISTRICT
Comparative Statements of Revenues, Expenditures,
and Changes in Fund Balances - Budget and Actual
General Fund

	2015		2014		2013		2012		2011	
	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual
Revenues:										
Local Sources	\$ 155,097,493	\$ 161,347,717	\$ 151,319,934	\$ 158,062,114	\$ 151,697,123	\$ 155,165,778	\$ 148,233,912	\$ 150,471,909	\$ 147,481,628	\$ 146,373,855
State Sources	40,717,507	40,489,476	38,440,601	38,795,263	36,648,877	35,850,554	34,933,500	36,203,487	37,898,372	34,875,076
Federal Sources	1,020,000	2,758,810	1,419,465	3,057,783	1,458,000	3,012,007	1,549,025	3,140,124	2,412,000	5,757,006
TOTAL REVENUES	196,835,000	204,596,003	191,180,000	199,915,160	189,804,000	194,028,339	184,716,437	189,815,520	187,792,000	187,005,937
Expenditures:										
Regular Programs	90,286,288	82,933,616	84,642,863	77,480,067	83,498,254	73,925,443	76,800,064	71,789,600	74,462,903	69,548,479
Special Programs	25,849,778	24,485,681	24,118,246	22,947,710	24,799,582	21,085,193	24,431,112	21,050,519	25,523,433	23,042,260
Vocational Programs	5,394,047	5,367,294	6,302,373	5,723,326	6,571,773	6,176,446	7,064,327	6,538,896	6,969,898	7,045,387
Other Instructional Programs	1,824,222	1,550,445	1,982,521	1,425,769	1,636,066	1,379,363	1,508,031	1,567,525	1,796,365	1,630,027
Pupil Personnel Services	6,646,435	6,644,737	6,099,362	6,045,437	5,706,891	5,728,429	5,492,904	5,298,326	5,395,672	5,264,519
Instructional Staff Services	5,608,033	5,159,824	5,463,142	4,420,735	5,085,592	4,460,467	5,450,065	4,289,526	5,651,230	4,752,581
Administrative Services	10,821,188	10,594,845	10,170,156	9,479,748	9,173,297	8,826,275	8,654,446	8,290,794	8,952,895	9,139,590
Pupil Health	3,010,261	2,569,803	2,829,823	2,600,594	2,738,077	2,633,840	2,490,275	2,516,052	1,562,265	1,473,162
Business Services	1,563,524	1,687,424	1,411,977	1,375,160	1,263,848	1,298,612	1,182,131	1,137,795	1,231,514	1,215,356
Operation and Maintenance of Plant Services	13,604,300	13,749,844	12,681,294	13,085,122	12,960,461	11,694,446	13,141,927	11,409,836	14,217,981	13,121,864
Student Transportation Services	11,118,147	10,926,856	10,048,899	10,031,148	10,223,581	9,572,089	9,815,366	9,900,783	9,718,010	9,613,066
Central and Other Support Services	4,093,679	3,526,222	3,637,940	3,456,278	3,599,481	3,458,269	3,747,757	3,306,049	3,369,557	3,452,198
Student Activities	3,244,593	3,675,858	3,114,404	3,400,821	3,209,497	3,377,064	3,054,297	3,203,140	3,068,971	3,295,941
Community Services	52,250	66,400	51,000	17,249	64,600	28,879	70,100	31,696	82,306	57,558
Capital Outlay	1,468,255	187,621	300,000	300,250	0	1,558,131	0	3,000,000	0	0
Debt Service	16,190,000	13,887,128	15,586,000	16,801,219	16,500,000	27,185,883	18,000,000	26,836,505	20,000,000	18,287,185
TOTAL EXPENDITURES	200,775,000	187,013,598	188,440,000	178,590,633	187,031,000	182,388,829	180,902,802	180,167,042	182,003,000	170,939,173
EXCESS OF REVENUES OVER EXPENDITURES	(3,940,000)	17,582,405	2,740,000	21,324,527	2,773,000	11,639,510	3,813,635	9,648,478	5,789,000	16,066,764
Other Financing Sources (Uses):										
Interfund Transfers In	0	0	0	0	0	0	0	0	0	0
Interfund Transfers Out	0	(19,572,644)	(6,000,000)	(25,071,254)	(5,980,000)	(20,745,138)	(5,713,635)	(21,931,206)	(6,500,000)	(6,374,284)
Sale of Capital Assets	0	37,165	0	17,064	0	3,675	0	16,100	0	0
Capital Lease Debt Issued	0	0	0	0	0	0	0	0	0	713,040
Refunds of Prior Years Expenses (Revenues)	(60,000)	119,098	(60,000)	239,113	(80,000)	384	(100,000)	(10,642)	(60,000)	36,170
Budgetary Reserve	(500,000)	0	(500,000)	0	(500,000)	0	(500,000)	0	(750,000)	0
TOTAL OTHER FINANCING SOURCES (USES)	(560,000)	(19,416,381)	(6,560,000)	(24,815,077)	(6,560,000)	(20,741,079)	(6,313,635)	(21,925,748)	(7,310,000)	(5,625,074)
NET CHANGE IN FUND BALANCES	(4,500,000)	(1,833,976)	(3,820,000)	(3,490,550)	(3,787,000)	(9,101,569)	(2,500,000)	(12,277,270)	(1,521,000)	10,441,690
Fund Balances - Beginning	56,606,800	26,107,926	51,820,000	29,598,476	23,950,000	38,700,045	42,250,000	50,977,315	15,136,800	40,535,625
Prior Period Adjustment	0	0	0	0	0	0	0	0	0	0
FUND BALANCES - ENDING (RESTATED)	56,606,800	26,107,926	51,820,000	29,598,476	23,950,000	38,700,045	42,250,000	50,977,315	15,136,800	40,535,625
FUND BALANCES - JUNE 30	\$ 52,106,800	\$ 24,273,950	\$ 48,000,000	\$ 26,107,926	\$ 20,163,000	\$ 29,598,476	\$ 39,750,000	\$ 38,700,045	\$ 13,615,800	\$ 50,977,315



A Professional Corporation
Certified Public Accountants
Business Consultants

- 58 -

DOWNINGTOWN AREA SCHOOL DISTRICT
Comparative Statements of Revenues, Expenditures,
and Changes in Fund Balances - Budget and Actual
General Fund
(Continued)

	2010		2009		2008		2007		2006	
	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual
Revenues:										
Local Sources	\$ 143,943,049	\$ 144,795,089	\$ 140,037,014	\$ 141,835,270	\$ 135,085,133	\$ 140,460,808	\$ 124,356,225	\$ 133,878,348	\$ 114,134,704	\$ 123,228,464
State Sources	35,462,351	34,458,093	35,809,986	35,339,348	29,718,317	31,863,050	28,278,775	29,369,445	26,890,296	26,946,917
Federal Sources	3,454,600	3,925,070	1,003,000	919,583	796,550	926,430	365,000	921,618	475,000	440,054
TOTAL REVENUES	182,860,000	183,178,252	176,850,000	178,094,201	165,600,000	173,250,288	153,000,000	164,169,411	141,500,000	150,615,435
Expenditures:										
Regular Programs	73,480,639	67,953,524	72,201,942	65,273,933	66,874,672	64,072,900	61,914,513	60,608,830	57,693,236	54,756,311
Special Programs	23,705,229	22,562,603	22,055,877	20,982,932	20,142,290	18,457,024	18,537,667	18,107,365	16,423,344	16,445,686
Vocational Programs	6,900,721	6,928,052	6,710,990	6,713,526	6,704,134	6,540,624	6,212,344	6,335,186	5,936,539	5,898,996
Other Instructional Programs	1,834,071	1,841,734	1,950,670	1,569,577	1,734,179	1,748,518	1,833,731	1,536,963	1,759,180	1,707,448
Pupil Personnel Services	5,238,427	4,901,664	4,987,874	4,614,338	4,978,490	4,557,148	4,974,764	4,523,654	4,572,334	4,259,469
Instructional Staff Services	5,477,349	4,399,932	5,272,455	4,405,856	5,570,994	5,116,112	4,808,116	4,326,004	4,442,056	4,052,618
Administrative Services	8,924,838	8,107,959	8,754,497	8,179,295	8,033,570	7,867,119	7,792,193	7,357,406	7,287,808	6,922,134
Pupil Health	1,521,437	1,402,657	1,422,257	1,352,018	1,337,914	1,262,219	1,238,340	1,184,401	1,117,669	1,091,904
Business Services	1,066,887	1,212,783	1,081,921	1,206,691	1,073,446	1,065,537	997,620	1,002,072	954,445	886,471
Operation and Maintenance of Plant Services	13,962,806	13,319,612	13,653,560	13,930,075	13,645,950	13,111,495	13,091,699	12,709,352	12,343,691	12,182,352
Student Transportation Services	9,361,340	9,334,729	8,687,433	9,272,617	8,127,508	8,465,847	7,380,700	7,654,940	6,743,516	7,178,649
Central and Other Support Services	2,769,884	3,302,485	2,329,587	2,728,190	1,560,561	1,363,380	1,464,996	1,286,354	1,362,218	1,149,435
Student Activities	766,411	1,029,285	781,184	1,119,871	736,897	620,791	676,291	610,462	713,964	630,328
Community Services	69,961	51,716	89,753	43,864	59,395	41,037	57,026	39,882	30,000	44,686
Capital Outlay	0	0	0	0	0	0	0	0	0	0
Debt Service	20,000,000	18,786,810	20,000,000	19,078,257	20,020,000	17,567,225	19,020,000	16,876,467	17,020,000	14,563,115
TOTAL EXPENDITURES	175,080,000	165,135,545	169,980,000	160,471,040	160,600,000	151,856,976	150,000,000	144,159,338	138,400,000	131,769,602
EXCESS OF REVENUES OVER EXPENDITURES	7,780,000	18,042,707	6,870,000	17,623,161	5,000,000	21,393,312	3,000,000	20,010,073	3,100,000	18,845,833
Other Financing Uses:										
Interfund Transfers In	0	0	0	56,767	0	0	0	0	0	0
Interfund Transfers Out	(7,930,000)	(16,367,662)	(5,750,000)	(17,294,983)	(3,900,000)	(18,027,119)	(1,900,000)	(20,500,000)	(2,000,000)	(17,625,000)
Sale of Capital Assets	0	0	0	0	0	0	0	0	0	0
Capital Lease Debt Issued	0	0	0	0	0	0	0	0	0	0
Refunds of Prior Years Revenues	(100,000)	55,209	(120,000)	165,470	(100,000)	(230,295)	(100,000)	(304,446)	(100,000)	(823,635)
Budgetary Reserve	(750,000)	0	(1,000,000)	0	(1,000,000)	0	(1,000,000)	0	(1,000,000)	0
TOTAL OTHER FINANCING USES	(8,780,000)	(16,312,453)	(6,870,000)	(17,072,746)	(5,000,000)	(18,257,414)	(3,000,000)	(20,804,446)	(3,100,000)	(18,448,635)
NET CHANGE IN FUND BALANCES	(1,000,000)	1,730,254	0	550,415	0	3,135,898	0	(794,373)	0	397,198
Fund Balances - Beginning	14,148,000	38,450,605	14,148,000	37,733,000	13,248,000	34,580,483	12,240,000	12,196,392	0	11,799,194
Prior Period Adjustment	0	0	0	167,190	0	16,619	0	23,178,464	0	0
FUND BALANCES - ENDING (RESTATED)	14,148,000	38,450,605	14,148,000	37,900,190	13,248,000	34,597,102	12,240,000	35,374,856	0	11,799,194
FUND BALANCES - JUNE 30	\$ 13,148,000	\$ 40,180,859	\$ 14,148,000	\$ 38,450,605	\$ 13,248,000	\$ 37,733,000	\$ 12,240,000	\$ 34,580,483	\$ 0	\$ 12,196,392

DOWNINGTOWN AREA SCHOOL DISTRICT

Comparative Statements of Revenues
and Other Financing Sources
General Fund

	2015	2014	2013	2012	2011
Revenues:					
Local Sources:					
Current Real Estate Taxes	\$ 132,009,040	\$ 130,277,236	\$ 129,407,143	\$ 126,413,056	\$123,849,460
Interim Real Estate Taxes	3,176,436	2,360,683	1,752,473	1,792,941	1,736,256
Public Utility Realty Taxes	191,740	186,605	189,265	197,693	196,179
Act 511 Occupational Privilege Tax	203,886	204,042	170,459	209,436	164,639
Act 511 Earned Income Tax	16,076,800	15,098,451	14,065,246	12,845,110	12,550,773
Act 511 Real Estate Transfer Tax	2,514,756	2,443,816	2,678,500	2,067,424	1,734,999
Delinquent Real Estate Taxes	3,355,254	3,954,319	3,379,685	3,486,927	2,997,765
Earnings on Investments	381,737	309,237	377,824	419,429	741,421
Intermediate Unit Revenue	1,691,913	1,593,535	1,682,844	1,563,822	1,474,452
Rentals	235,404	267,334	158,046	117,069	93,811
Tuition - Regular & Summer School	53,854	58,790	77,561	62,613	59,311
Student Activities	1,275,591	1,171,632	1,090,745	1,113,741	0
Miscellaneous Revenue	181,306	136,434	135,987	182,648	775,240
TOTAL REVENUES FROM LOCAL SOURCES	161,347,717	158,062,114	155,165,778	150,471,909	146,374,306
State Sources:					
Basic Instruction Subsidy	13,474,564	13,509,785	13,062,584	13,062,584	11,697,594
Charter Schools		0	0	0	935,412
Tuitions	150,544	102,923	131,695	437,805	198,057
Special Education of Exceptional Pupils	5,350,007	5,313,903	5,310,989	5,211,893	5,226,233
Special Education/Extraordinary	150,000	98,085	0	0	0
Transportation	3,804,844	3,754,560	3,649,538	3,653,543	3,715,525
Rental and Sinking Fund Payments	782,427	1,892,129	1,541,547	3,193,177	2,909,754
Medical and Dental Services	290,607	313,153	308,513	287,491	288,145
State Property Tax Reduction Allocation	3,881,937	3,813,172	3,828,397	3,850,949	3,903,983
Other State Grants	1,000	0	0	51,000	0
Safe Schools	0	0	13,434	13,656	0
Accountability Grants	264,742	264,742	264,742	264,742	673,836
Ready to Learn Grant	395,356	0	0	0	0
Dual Enrollment	0	0	0	0	46,405
Social Security Subsidy	3,082,604	2,964,554	2,890,657	2,862,912	2,995,144
Retirement Subsidy	8,860,844	6,768,257	4,848,458	3,313,297	2,281,268
Incarcerated Education	0	0	0	438	3,720
Classrooms of the Future	0	0	0	0	0
TOTAL REVENUES FROM STATE SOURCES	40,489,476	38,795,263	35,850,554	36,203,487	34,875,076
Federal Sources:					
Title I - Low Income	298,055	265,935	253,603	257,547	286,555
Title II Improving Teaching Quality	148,398	105,225	138,074	196,466	188,221
Title III English Language	22,959	18,016	33,528	40,114	38,075
Title V Innovative Education	0	0	0	0	0
Title VI	0	0	0	0	0
Drug Free School Grants	0	0	0	0	10,064
Qualified School Construction Bond (QSCB)	1,823,177	1,809,417	1,965,689	1,586,545	603,774
All Other Federal Grants	444,422	830,834	621,113	1,059,452	1,826,585
Medical Assistance/Administrative	21,799	28,356	0	0	0
ARRA Grants	0	0	0	0	2,803,281
TOTAL REVENUES FROM FEDERAL SOURCES	2,758,810	3,057,783	3,012,007	3,140,124	5,756,555
Other Financing Sources:					
Sale of Capital Assets	37,165	17,064	3,675	16,100	0
Proceeds from Capital Lease	0	0	0	0	713,040
Refunds of Prior Years Expenses	121,572	244,587	11,754	43,861	82,631
TOTAL OTHER FINANCING SOURCES	158,737	261,651	15,429	59,961	795,671
TOTAL REVENUES	\$ 204,754,740	\$ 200,176,811	\$ 194,043,768	\$ 189,875,481	\$187,801,608

DOWNINGTOWN AREA SCHOOL DISTRICT

Comparative Statements of Revenues

and Other Financing Sources

General Fund

(Continued)

	2010	2009	2008	2007	2006
Revenues:					
Local Sources:					
Current Real Estate Taxes	\$ 121,308,451	\$ 116,188,316	\$ 112,218,749	\$ 105,213,829	\$ 97,462,514
Interim Real Estate Taxes	1,823,629	3,044,228	3,907,605	3,563,185	2,991,577
Public Utility Realty Taxes	188,392	169,536	174,439	177,122	169,044
Act 511 Occupational Privilege Tax	178,604	189,809	147,464	218,218	214,334
Act 511 Earned Income Tax	12,072,855	11,879,981	11,723,290	10,864,954	9,843,262
Act 511 Real Estate Transfer Tax	2,001,326	1,884,621	2,931,794	4,128,842	4,654,401
Delinquent Real Estate Taxes	3,817,104	3,610,739	2,926,886	2,972,307	2,736,755
Earnings on Investments	1,139,960	2,578,378	4,517,530	4,816,089	3,498,440
Intermediate Unit Revenue	1,518,018	1,516,147	1,440,836	1,429,108	1,171,513
Rentals	107,587	58,598	105,123	130,024	109,476
Tuition - Regular & Summer School	106,762	135,806	124,750	212,959	153,934
Miscellaneous Revenue	532,401	579,111	242,342	151,711	223,214
TOTAL REVENUES FROM					
LOCAL SOURCES	144,795,089	141,835,270	140,460,808	133,878,348	123,228,464
State Sources:					
Basic Instruction Subsidy	11,932,397	13,058,796	12,679,868	12,431,145	12,009,700
Charter Schools	839,158	797,043	596,495	524,201	391,865
Tuitions	491,378	452,513	360,524	300,363	440,814
Instructional Support Teams	0	0	0	0	0
Homebound Instruction	0	925	423	260	1,256
Alternative Education	0	112,088	107,700	113,042	93,887
Special Education of Exceptional Pupils	5,247,386	5,126,418	5,038,561	5,001,683	4,774,542
Transportation	3,981,882	3,976,816	3,752,612	3,519,159	3,268,769
Rental and Sinking Fund Payments	2,115,570	2,125,502	1,883,305	1,579,510	1,732,851
Medical and Dental Services	286,406	285,906	287,827	272,349	276,854
Extra Grants	3,883,624	3,792,872	0	0	0
Other State Grants	0	0	0	0	6,635
Safe Schools	27,387	3,685	34,180	0	0
Accountability Grants	728,584	720,013	716,593	644,651	516,537
Dual Enrollment	55,585	74,239	125,929	13,766	0
Social Security Subsidy	2,950,318	2,829,655	2,657,924	2,574,174	2,403,906
Retirement Subsidy	1,918,418	1,799,481	2,604,780	2,395,142	1,029,301
Classrooms of the Future	0	183,396	1,016,329	0	0
TOTAL REVENUES FROM					
STATE SOURCES	34,458,093	35,339,348	31,863,050	29,369,445	26,946,917
Federal Sources:					
Title I - Low Income	335,859	218,931	207,592	0	0
Title II Improving Teaching Quality	194,570	208,494	190,013	198,655	200,476
Title III English Language	64,138	27,089	30,192	38,948	10,377
Title V Innovative Education	0	0	10,461	10,593	0
Title VI	0	0	0	0	20,158
Drug Free School Grants	14,634	18,989	22,361	59,553	21,665
All Other Federal Grants	661,212	446,080	465,811	613,869	187,378
ARRA Grants	2,654,657				
TOTAL REVENUES FROM					
FEDERAL SOURCES	3,925,070	919,583	926,430	921,618	440,054
Other Financing Sources:					
Interfund Transfers In	0	56,767	0	0	0
Refunds of Prior Years Expenses	193,260	223,935	80,631	34,708	0
TOTAL OTHER					
FINANCING SOURCES	193,260	280,702	80,631	34,708	0
TOTAL REVENUES	\$ 183,371,512	\$ 178,374,903	\$173,330,919	\$ 164,204,119	\$150,615,435