

Financial Statements

Downingtown Area School District

June 30, 2014

*Rainer
& Company*

A Professional Corporation
Certified Public Accountants

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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, 2014, 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, 2014, 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 14 to the financial statements, during the fiscal year ended June 30, 2014, the District adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. 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 46, and the schedule of post employment benefit obligation funding progress on page 47 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 48-55 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information on pages 48-55 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 48-55 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 years ended June 30, 2005 through 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 51 through 55 stated that, in their opinion, such information was fairly stated in all material aspects in relation to the basic financial statements for the years ended June 30, 2005 through 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 3, 2014, 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 3, 2014

DOWNINGTOWN AREA SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2014

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, 2014. 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, 2014, the change in the total Governmental Funds fund balance was a decrease of \$4.2 million. This change was primarily due to the excess of revenues over expenditures in the General Fund of \$21.32 million and proceeds from sale of capital assets of \$1.35 million being offset by the Capital Projects Fund net expenditures of \$27.13 million, primarily for the construction of the new sixth grade center school building. In the budgeting process, the Board of School Directors was able to balance the 2013-2014 general fund budget without an increase in the real estate tax rate. Total 2013-2014 millage was 27.182. Real estate tax revenue increased by \$2.1 million over the prior year as a result of assessment growth and increased interim and delinquent collections. In addition, an increase in earned income tax revenue of \$1.0 million offset by a decrease in realty transfer tax revenue of \$0.2 million accounted for the majority of the additional \$0.8 million increase in local revenue, for a total increase of \$2.9 million in 2013-2014 compared to 2012-2013. State source revenue had a net increase of \$2.9 million compared to 2012-2013 primarily due to the \$1.9 million increase in retirement subsidy, caused by an increase in the Public School Employees' Retirement System of Pennsylvania (PSERS) contribution rate. An increase in the basic education subsidy and debt service reimbursement primarily contributed to the additional \$1.0 million increase in state source revenue. Federal revenue increased \$45,776 primarily due to an increase in Medical Access revenue offset by a decrease in the District's federally subsidized bond interest reimbursements. Overall, total General Fund revenue increased \$5.9 million or 3.0% in 2013-2014 compared to the prior year, while total General Fund expenditures decreased \$3.8 million or 2.1% in 2013-2014 compared to the prior 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.

DOWNINGTOWN AREA SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2014

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.

DOWNINGTOWN AREA SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2014

Fund Level Financial Statements (Continued)

- **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.

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 \$298,567,438 at June 30, 2014. The following table presents condensed financial information for the net position of the District as of June 30, 2014 and June 30, 2013. The increase in total assets is primarily due to a net increase in capital assets from the construction of the District's new Sixth Grade Center. Cash generated from current year operating activities offset a majority of the cash used to fund these construction expenditures. The decrease in liabilities was primarily due to the payment of principal on outstanding bonds payable.

Schedule of Net Position
For the Year Ended June 30, 2014

	Governmental Activities		Business-Type Activities		Total	
	2014	(RESTATED) 2013	2014	2013	2014	(RESTATED) 2013
Current Assets	\$ 205,889,449	\$ 209,208,395	\$ 1,281,842	\$ 1,203,890	\$ 207,171,291	\$ 210,412,285
Capital Assets	291,998,843	275,119,575	592,743	533,742	292,591,586	275,653,317
Deferred Outflows of Resources	7,915,752	8,332,920	0	0	7,915,752	8,332,920
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	505,804,044	492,660,890	1,874,585	1,737,632	507,678,629	494,398,522
Current Liabilities	37,531,609	35,248,253	441,531	269,732	37,973,140	35,517,985
Noncurrent Liabilities	171,138,051	181,063,344	0	0	171,138,051	181,063,344
TOTAL LIABILITIES	208,669,660	216,311,597	441,531	269,732	209,111,191	216,581,329
Net Position:						
Invested in Capital Assets, Net of Related Debt	125,780,122	98,873,168	592,743	533,742	126,372,865	99,406,910
Restricted: Capital Projects	148,679,097	149,402,839	0	0	148,679,097	149,402,839
Unrestricted	22,675,165	28,073,286	840,311	934,158	23,515,476	29,007,444
TOTAL NET POSITION	\$ 297,134,384	\$ 276,349,293	\$ 1,433,054	\$ 1,467,900	\$ 298,567,438	\$ 277,817,193

DOWNINGTOWN AREA SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2014

The condensed statement of changes in net position below shows the results of this year's operations as a whole compared to the prior year. Consistent with fiscal year 2013, total revenues exceeded total expenses in fiscal year 2014. This resulted in an increase in net assets of \$20,750,245 in fiscal year 2014.

The net increase in revenue in fiscal year 2014 compared to fiscal year 2013 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 and other tax revenues including earned income tax. The increase in expenses in fiscal year 2014 compared to fiscal year 2013 is primarily due to the increase in employee salaries and wages and the increase in the PSERS employer contribution rate.

Changes in Net Position
For the Year Ended June 30, 2014

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>(RESTATED)</u>				<u>(RESTATED)</u>	
	2014	2013	2014	2013	2014	2013
REVENUES:						
Program Services:						
Charges for Services	\$ 1,353,432	\$ 1,271,133	\$2,820,224	\$2,660,192	\$ 4,173,656	\$ 3,931,325
Operating Grants and Contributions	26,373,738	23,803,475	679,074	644,780	27,052,812	24,448,255
General Revenues:						
Property Taxes	136,096,210	134,801,652	0	0	136,096,210	134,801,652
Other Taxes	18,154,353	17,015,652	0	0	18,154,353	17,015,652
Grants, Subsidies and						
Contributions Not Restricted	17,322,957	16,890,981	0	0	17,322,957	16,890,981
Other Revenue	1,032,724	622,522	696	1,615	1,033,420	624,137
TOTAL REVENUES	<u>200,333,414</u>	<u>194,405,415</u>	<u>3,499,994</u>	<u>3,306,587</u>	<u>203,833,408</u>	<u>197,712,002</u>
EXPENSES:						
Instruction	108,036,569	103,168,111	0	0	108,036,569	103,168,111
Instructional Student Support	13,090,621	12,909,695	0	0	13,090,621	12,909,695
Administrative and Financial Support	14,818,912	14,021,989	0	0	14,818,912	14,021,989
Operation and Maintenance of						
Plant Services	13,414,321	12,297,478	0	0	13,414,321	12,297,478
Pupil Transportation	10,031,148	9,572,089	0	0	10,031,148	9,572,089
Student Activities	3,400,821	3,304,126	0	0	3,400,821	3,304,126
Community Services	17,249	28,879	0	0	17,249	28,879
Interest on Long-Term Debt	6,729,289	7,415,363	0	0	6,729,289	7,415,363
Unallocated Depreciation Expense	10,009,393	9,926,466	0	0	10,009,393	9,926,466
Food Services	0	0	3,534,840	3,326,204	3,534,840	3,326,204
TOTAL EXPENSES	<u>179,548,323</u>	<u>172,644,196</u>	<u>3,534,840</u>	<u>3,326,204</u>	<u>183,083,163</u>	<u>175,970,400</u>
CHANGE IN NET POSITION	<u>\$ 20,785,091</u>	<u>\$ 21,761,219</u>	<u>\$ (34,846)</u>	<u>\$ (19,617)</u>	<u>\$ 20,750,245</u>	<u>\$ 21,741,602</u>

DOWNINGTOWN AREA SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2014

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, 2014

	Total Cost of Services		Net Cost of Services	
	(RESTATED)		(RESTATED)	
	2014	2013	2014	2013
Expenses - Governmental Activities:				
Instruction	\$108,036,569	\$103,168,111	\$ 90,213,184	\$ 86,913,281
Instructional Student Support	13,090,621	12,909,695	11,853,563	11,838,536
Administrative and Financial Support	14,818,912	14,021,989	13,928,345	13,333,164
Operation and Maintenance of Plant Services	13,414,321	12,297,478	10,566,517	10,027,450
Pupil Transportation	10,031,148	9,572,089	6,256,070	5,907,748
Student Activities	3,400,821	3,304,126	2,247,783	2,179,286
Community Services	17,249	28,879	17,009	28,294
Interest on Long-Term Debt	6,729,289	7,415,363	6,729,289	7,415,363
Unallocated Depreciation Expense	10,009,393	9,926,466	10,009,393	9,926,466
TOTAL EXPENSES	\$179,548,323	\$172,644,196	151,821,153	147,569,588
Less: Grants, Subsidies and Contributions Not Restricted			<u>(17,322,957)</u>	<u>(16,890,981)</u>
AMOUNT NEEDED TO BE FUNDED BY OTHER REVENUE SOURCES			<u>\$134,498,196</u>	<u>\$130,678,607</u>

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.

	Total Cost of Services		Net Cost of Services	
	2014	2013	2014	2013
Expenses - Business-Type Activities:				
Food Services	<u>\$ 3,534,840</u>	<u>\$ 3,326,204</u>	<u>\$ 34,846</u>	<u>\$ 19,617</u>

DOWNTOWNTOWN AREA SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2014

FINANCIAL ANALYSIS OF THE DISTRICT - FUND LEVEL STATEMENTS

General Fund

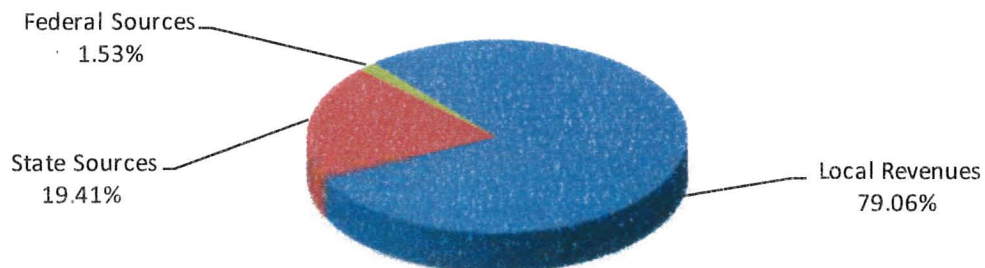
At June 30, 2014, the District reported an unassigned fund balance of \$16,106,800. The unassigned fund balance is 8% of the 2014-2015 general fund budgeted expenditures which is in accordance with state regulations and consistent with the prior year. The District also has assigned fund balance of \$10,000,000 as of June 30, 2014 to fund future PSERS contribution increases and future healthcare claims.

REVENUE

Revenues, which totaled \$199,915,160, increased \$5,886,821 or 3.03% over prior year revenues. The following table reflects a comparison of current year revenues to prior year revenues:

	Revenue 2014	% of Total	Increase From 2013	Percentage Increase
Local Revenues	\$ 158,062,114	79.06%	\$ 2,896,336	1.87%
State Sources	38,795,263	19.41%	2,944,709	8.21%
Federal Sources	3,057,783	1.53%	45,776	1.52%
TOTAL REVENUES	\$ 199,915,160	100.00%	\$ 5,886,821	3.03%

Distribution of Funding Sources



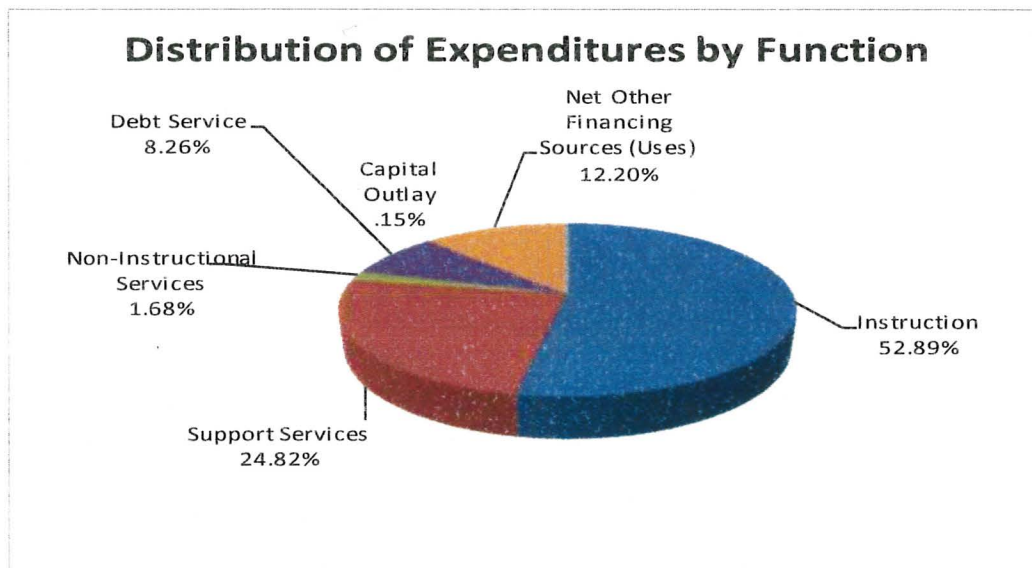
Revenue from local sources primarily includes revenue from real estate taxes levied by the District. Increases in current real estate taxes as a result of assessment growth, increased interim and delinquent real estate tax collections, and an increase in earned income tax revenue accounted for the majority of the \$2.9 million increase in local revenue in 2013-2014 compared to 2012-2013. State source revenue had a net increase of \$2.9 million compared to 2012-2013 primarily due to an increase in the PSERS reimbursement due to the PSERS rate increase, and increases in the basic education subsidy and debt service reimbursement subsidy. Federal revenue increased \$45,776 primarily due to an increase in Medical Access revenue offset by a decrease in the District's federally subsidized bond interest reimbursements.

DOWNINGTOWN AREA SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2014

EXPENDITURES

Expenditures and net other financing uses, which total \$203,405,710, increased \$275,802 over the 2012-2013 expenditures, and were \$6,596,293 over final budget. 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 2013-2014 budget as follows:

	Expenditures 2014	% of Total	Increase (Decrease) From 2013	Variance with Final Budget - Positive (Negative)
Instruction	\$ 107,576,872	52.89%	\$ 5,010,427	\$ 8,633,766
Support Services	50,494,222	24.82%	2,821,795	2,677,703
Non-Instructional Services	3,418,070	1.68%	12,127	61,335
Capital Outlay	300,250	0.15%	(1,257,881)	1,250
Debt Service	16,801,219	8.26%	(10,384,664)	594,198
Net Other Financing Uses (Sources)	24,815,077	12.20%	4,073,998	(18,564,545)
TOTAL EXPENDITURES				
BY FUNCTION	\$ 203,405,710	100.00%	\$ 275,802	\$ (6,596,293)



The increase in the Instruction, Support Services, and Non-Instructional expenses in 2013-2014 compared to 2012-2013 is primarily due to the increase in employee salaries and wages and the increase in the PSERS employer contribution rate. In 2013-2014 capital expenditures were primarily charged to the Capital Projects fund causing the decrease in the General Fund Capital Outlay. In 2012-2013, the District paid \$9.8 million to fully refund an outstanding bond issue; there were no such bond refundings in 2013-2014 which caused the decrease in Debt Service. The increase in Net Other Financing Uses compared to the prior year is primarily caused by an increase 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 expenses were due primarily to lower salary and benefit costs than budgeted. Favorable interest rate swap cash flows contributed to the positive Debt Service budget variance, and the Net Other Financing Uses final budget variance is primarily due to the transfer to the Capital Projects fund being higher than budgeted.

DOWNINGTOWN AREA SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2014

Capital Projects Fund

At June 30, 2014, the District reported a fund balance of \$148,679,097, which is a decrease of \$723,742 from the prior year. During 2013-2014 this fund expended \$27,429,997 in construction and capital improvement expenditures primarily for the construction of the sixth grade center opening in 2014-2015. Increases in this fund during 2013-2014 include transfers from the General Fund of \$25,071,254 and investment income of \$302,646. The majority of the June 30, 2014 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, 2014

CAPITAL ASSETS

At June 30, 2014, the District governmental activities and business-type activities had a total of \$292,591,586 invested in net capital assets, including land, buildings, and furniture and equipment. This amount represents a net increase of \$16,938,269 from last year primarily due to expenditures for the construction of the new sixth grade center building, capital improvements to existing schools, and technology equipment expenditures; net of current year depreciation and retirements of existing assets. A summary schedule of the District's capital assets is shown in the table below.

Schedule of Capital Assets
June 30, 2014

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets:				
Land	\$ 41,515,333	\$ 0	\$ 140,000	\$ 41,375,333
Land Improvements	15,652,169	0	0	15,652,169
Buildings	283,759,784	1,117,483	1,802,766	283,074,501
Construction in Progress	15,140,143	21,956,533	1,117,483	35,979,193
Furniture and Equipment	23,913,525	5,997,548	1,791,383	28,119,690
TOTAL CAPITAL ASSETS	379,980,954	29,071,564	4,851,632	404,200,886
 Accumulated Depreciation for:				
Land Improvements	9,717,938	832,524	0	10,550,462
Buildings	81,430,818	6,356,541	877,346	86,910,013
Furniture and Equipment	13,712,623	2,820,328	1,791,383	14,741,568
TOTAL ACCUMULATED DEPRECIATION	104,861,379	10,009,393	2,668,729	112,202,043
 GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	\$ 275,119,575	\$ 19,062,171	\$ 2,182,903	\$ 291,998,843
 Business-Type Activities:				
Capital Assets:				
Furniture and Equipment	\$ 2,636,862	\$ 139,057	\$ 0	\$ 2,775,919
 Accumulated Depreciation for:				
Furniture and Equipment	2,103,120	80,056	0	2,183,176
 BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	\$ 533,742	\$ 59,001	\$ 0	\$ 592,743

DOWNINGTOWN AREA SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2014

DEBT ADMINISTRATION

As of June 30, 2014, the District had total long-term debt of \$166,218,721, a net decrease of \$10,027,686 over last year. The District made principal payments of \$9,659,880 in 2013-2014. Interest payments and fees totaled \$7,141,339 in 2013-2014. 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, 2014 are dated from 2006 to 2011.

Schedule of Debt Service
June 30, 2014

	Principal Outstanding July 1, 2013	Maturities	Additions (Refinancing)	Principal Outstanding June 30, 2014
General Obligation Note Series A of 2006	\$ 19,400,000	\$ 100,000	\$ 0	\$ 19,300,000
General Obligation Note Series C of 2006	15,200,000	0	0	15,200,000
General Obligation Bonds Series AA of 2009	53,135,000	3,960,000	0	49,175,000
General Obligation Bonds Series of 2010	20,685,000	835,000	0	19,850,000
General Obligation Bonds Series A of 2010	10,470,000	5,000	0	10,465,000
General Obligation Bonds Series A QSCB of 2010	24,973,230	1,664,880	0	23,308,350
General Obligation Bonds Series of 2011	16,405,000	3,090,000	0	13,315,000
General Obligation Bonds Series C QCSB of 2011	11,761,000	5,000	0	11,756,000
TOTAL	172,029,230	9,659,880	0	162,369,350
Less: Deferred Amounts:				
Issuance Premium (Discounts)	4,217,177	367,806	0	3,849,371
LONG-TERM DEBT	<u>\$ 176,246,407</u>	<u>\$ 10,027,686</u>	<u>\$ 0</u>	<u>\$ 166,218,721</u>

DOWNINGTOWN AREA SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2014

THE DISTRICT'S FUTURE

The District is faced with overcrowding at the middle schools, and is addressing this with the construction of a new sixth grade center building opening in the 2014-2015 school year. The District is also implementing a redistricting plan in 2014-2015 which cause a significant amount of elementary students to change schools from the one they currently attend. The property tax assessment growth has started to increase compared to prior years, which will provide for some increase in revenue growth in the future, but may also cause additional expenses to be incurred from the increase in students from new homes.

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. This may have a significant impact on the District's ability to fund its programs and services in future years. The projected increase in the PSERS employer contribution rate for future years will cause a significant burden to the District to meet this obligation. Tuition paid by the District for Charter School students also continues to be significant, and the state has eliminated any reimbursement of those costs. 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.

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, 2014

<u>ASSETS</u>	Governmental Activities	Business-Type Activities	Total
Current:			
Cash and Cash Equivalents	\$ 97,872,711	\$ 369,145	\$ 98,241,856
Investments	99,341,096	843,892	100,184,988
Interest Receivable	79,754	0	79,754
Taxes Receivable, Net	4,520,255	0	4,520,255
Internal Balances	0	15,872	15,872
Due from Other Governments	3,707,833	37,480	3,745,313
Other Receivables	366,674	11,934	378,608
Inventories	0	3,519	3,519
Prepaid Expenses	1,126	0	1,126
TOTAL CURRENT ASSETS	205,889,449	1,281,842	207,171,291
Capital Assets:			
Land	41,375,333	0	41,375,333
Land Improvements	15,652,169	0	15,652,169
Buildings	283,074,501	0	283,074,501
Construction in Progress	35,979,193	0	35,979,193
Furniture and Equipment	28,119,690	2,775,919	30,895,609
Less: Accumulated Depreciation	(112,202,043)	(2,183,176)	(114,385,219)
TOTAL CAPITAL ASSETS	291,998,843	592,743	292,591,586
TOTAL ASSETS	497,888,292	1,874,585	499,762,877
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources: Accumulated Decrease in Fair Value of Hedging Derivatives	7,915,752	0	7,915,752
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 505,804,044	\$ 1,874,585	\$ 507,678,629
<u>LIABILITIES</u>			
Current:			
Accounts Payable and Other Current Liabilities	\$ 26,080,083	\$ 344,433	\$ 26,424,516
Internal Balances	15,872	0	15,872
Bonds and Notes Payable Due Within One Year	10,684,632	0	10,684,632
Accrued Interest	615,449	0	615,449
Unearned Revenues	135,573	97,098	232,671
TOTAL CURRENT LIABILITIES	37,531,609	441,531	37,973,140
Noncurrent:			
Bonds and Notes Payable Due After One Year	155,534,089	0	155,534,089
Deferred Instrument Liability - Interest Rate Swap	7,915,752	0	7,915,752
Accrued Post-Employment Benefits	5,248,601	0	5,248,601
Compensated Absences	2,439,609	0	2,439,609
TOTAL NONCURRENT LIABILITIES	171,138,051	0	171,138,051
TOTAL LIABILITIES	208,669,660	441,531	209,111,191
NET POSITION			
Invested in Capital Assets, Net of Related Debt	125,780,122	592,743	126,372,865
Restricted for: Capital Projects	148,679,097	0	148,679,097
Unrestricted	22,675,165	840,311	23,515,476
TOTAL NET POSITION	297,134,384	1,433,054	298,567,438
TOTAL LIABILITIES AND NET POSITION	\$ 505,804,044	\$ 1,874,585	\$ 507,678,629

The accompanying notes are an integral part of this statement.

DOWNINGTOWN AREA SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2014

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	\$108,036,569	\$ (58,790)	\$ (17,764,595)	\$ (90,213,184)	\$ 0
Instructional Student Support	13,090,621	0	(1,237,058)	(11,853,563)	0
Administrative and Financial Support Services	14,818,912	0	(890,567)	(13,928,345)	0
Operation and Maintenance of Plant Operation	13,414,321	(364,557)	(2,483,247)	(10,566,517)	0
Pupil Transportation	10,031,148	0	(3,775,078)	(6,256,070)	0
Student Activities	3,400,821	(930,085)	(222,953)	(2,247,783)	0
Community Services	17,249	0	(240)	(17,009)	0
Interest on Long-Term Debt	6,729,289	0	0	(6,729,289)	0
Unallocated Depreciation Expense	10,009,393	0	0	(10,009,393)	0
TOTAL GOVERNMENTAL ACTIVITIES	179,548,323	(1,353,432)	(26,373,738)	(151,821,153)	0
Business-Type Activities:					
Food Services	3,534,840	(2,820,224)	(679,074)	0	(35,542)
TOTAL PRIMARY GOVERNMENT	\$183,083,163	\$ (4,173,656)	\$ (27,052,812)	\$ (151,821,153)	\$ (35,542)
General Revenues:					
Taxes:					
Property Taxes, Levied for General Purposes, Net				136,096,210	0
Public Utility Realty, Earned Income and Realty Transfer Taxes, Levied for General Purposes, Net				18,154,353	0
Grants, Subsidies and Contributions Not Restricted				17,322,957	0
Investment Earnings				478,968	696
Sale of Capital Assets				283,999	0
Miscellaneous Income				269,757	0
TOTAL GENERAL REVENUES AND SPECIAL ITEMS				172,606,244	696
CHANGE IN NET POSITION				20,785,091	(34,846)
Net Position - July 1, 2013				278,083,739	1,467,900
Prior Period Adjustment				(1,734,446)	0
NET POSITION - JULY 1, 2013 (RESTATED)				276,349,293	1,467,900
NET POSITION - JUNE 30, 2014				\$ 297,134,384	\$ 1,433,054

The accompanying notes are an integral part of this statement.

DOWNINGTOWN AREA SCHOOL DISTRICT

Balance Sheet
Governmental Funds
June 30, 2014

<u>ASSETS</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Cash and Cash Equivalents	\$ 54,237,124	\$ 43,635,587	\$ 97,872,711
Investments	39,548,041	58,762,995	98,311,036
Interest Receivable	43,152	36,602	79,754
Taxes Receivable	4,583,378	0	4,583,378
Due from Other Funds	0	52,700,538	52,700,538
Due from Other Governments	3,707,833	0	3,707,833
Other Receivables	366,674	0	366,674
Prepaid Expenses	1,126	0	1,126
TOTAL ASSETS	\$ 102,487,328	\$ 155,135,722	\$ 257,623,050
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>			
Liabilities:			
Accounts Payable and Other Accrued Liabilities	\$ 5,037,952	\$ 5,328,539	\$ 10,366,491
Due to Other Funds	51,588,324	1,128,086	52,716,410
Accrued Salaries and Benefits	15,713,592	0	15,713,592
Unearned Revenues	135,573	0	135,573
TOTAL LIABILITIES	72,475,441	6,456,625	78,932,066
Deferred Inflows of Resources:			
Unavailable Revenue - Property Taxes	3,903,961	0	3,903,961
Fund Balances:			
Nonspendable	1,126	0	1,126
Assigned	10,000,000	148,679,097	158,679,097
Unassigned	16,106,800	0	16,106,800
TOTAL FUND BALANCES	26,107,926	148,679,097	174,787,023
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 102,487,328	\$ 155,135,722	\$ 257,623,050

The accompanying notes are an integral part of this statement.

DOWNINGTOWN AREA SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2014

Total Fund Balances - Governmental Funds		\$ 174,787,023
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 \$404,200,886, and the accumulated depreciation is \$112,202,043		291,998,843
Some of the District's revenues will be collected after year end and are, therefore, not reported in the funds statements		3,840,838
Derivative instruments used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds		1,030,060
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	\$ 166,218,721	
Accrued Interest on the Bonds	615,449	
Accrued Post-Employment Benefits	5,248,601	
Compensated Absences	<u>2,439,609</u>	<u>(174,522,380)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		<u>\$ 297,134,384</u>

The accompanying notes are an integral part of this statement.

DOWNINGTOWN AREA SCHOOL DISTRICT

Statement of Revenues, Expenditures,

and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2014

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues:			
Local Sources:			
Real Estate Taxes	\$ 136,592,238	\$ 0	\$ 136,592,238
Realty Transfer Tax	2,443,816	0	2,443,816
Earned Income Taxes	15,098,451	0	15,098,451
Other Taxes	390,647	0	390,647
Earnings from Investments	309,237	302,646	611,883
Other Local Revenues	3,227,725	0	3,227,725
State Sources	38,795,263	0	38,795,263
Federal Sources	3,057,783	0	3,057,783
TOTAL REVENUES	199,915,160	302,646	200,217,806
Expenditures:			
Instruction	107,576,872	0	107,576,872
Support Services	50,494,222	0	50,494,222
Non-Instructional Services	3,418,070	0	3,418,070
Capital Outlay	300,250	27,429,997	27,730,247
Debt Service	16,801,219	0	16,801,219
TOTAL EXPENDITURES	178,590,633	27,429,997	206,020,630
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	21,324,527	(27,127,351)	(5,802,824)
Other Financing Sources (Uses):			
Interfund Transfers In (Reimbursement)	0	15,098,332	15,098,332
Interfund Transfers In (Non-Reimbursement)	0	18,182,834	18,182,834
Interfund Transfers Out (Reimbursement)	(6,888,420)	(8,209,912)	(15,098,332)
Interfund Transfers Out (Non-Reimbursement)	(18,182,834)	0	(18,182,834)
Sale of Capital Assets	17,064	1,332,355	1,349,419
Refunds of Prior Years Revenues	(5,474)	0	(5,474)
Refunds of Prior Years Expenses	244,587	0	244,587
TOTAL OTHER FINANCING SOURCES (USES)	(24,815,077)	26,403,609	1,588,532
NET CHANGE IN FUND BALANCES	(3,490,550)	(723,742)	(4,214,292)
Fund Balances - July 1, 2013	29,598,476	149,402,839	179,001,315
FUND BALANCES - JUNE 30, 2014	\$ 26,107,926	\$ 148,679,097	\$ 174,787,023

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, 2014

Total Net Change in Fund Balances - Governmental Funds	\$	(4,214,292)
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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	\$ 27,954,081		
Depreciation Expense	<u>(10,009,393)</u>		17,944,688

In the statement of activities, only the gain on the sale of capital assets
 is reported, whereas in the governmental funds, the proceeds from
 the sale increase financial resources. Thus, the change in net assets
 differs from the change in fund balance by the cost of the capital
 assets sold.

(1,065,420)

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	\$ 9,659,880		
Bond Issuance Premium	<u>367,806</u>		10,027,686

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

(132,915)

Revenues in the statement of activities that do not provide current
 financial resources are not reported as revenues in the funds

(274,589)

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	\$ (1,426,005)		
Accrued Interest on the Bonds	44,244		
Compensated Absences	<u>(118,306)</u>		<u>(1,500,067)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>20,785,091</u>
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The accompanying notes are an integral part of this statement.

DOWNINGTOWN AREA SCHOOL DISTRICT

Statement of Net Position

Proprietary Funds

June 30, 2014

<u>ASSETS</u>	<u>Food Services</u>
Current:	
Cash and Cash Equivalents	\$ 369,145
Investments	843,892
Due from Other Governments	37,480
Due from Other Funds	15,872
Other Receivables	11,934
Inventories	3,519
TOTAL CURRENT ASSETS	<u>1,281,842</u>
Non-Current:	
Furniture and Equipment	2,775,919
Less: Accumulated Depreciation	<u>(2,183,176)</u>
TOTAL NON-CURRENT ASSETS	<u>592,743</u>
TOTAL ASSETS	<u>\$ 1,874,585</u>
 <u>LIABILITIES</u>	
Current:	
Accounts Payable	\$ 322,855
Accrued Salaries and Benefits	21,578
Unearned Revenue	<u>97,098</u>
TOTAL LIABILITIES	<u>441,531</u>
 <u>NET POSITION</u>	
Invested in Capital Assets, Net of Related Debt	592,743
Unrestricted	<u>840,311</u>
TOTAL NET POSITION	<u>1,433,054</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,874,585</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, 2014

	Food Services
Operating Revenues:	
Food Service Revenue	\$ 2,820,224
Operating Expenses:	
Professional and Contract Services	3,240,709
Salaries and Benefits	193,608
Depreciation	80,056
Other Operating Expenditures	20,467
TOTAL OPERATING EXPENSES	3,534,840
OPERATING LOSS	(714,616)
Non-Operating Revenues:	
Earnings on Investments	696
State Sources	81,295
Federal Sources	597,779
TOTAL NON-OPERATING REVENUES	679,770
CHANGE IN NET POSITION	(34,846)
Total Net Position - July 1, 2013	1,467,900
TOTAL NET POSITION - JUNE 30, 2014	\$ 1,433,054

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, 2014

	<u>Food Services</u>
Cash Flows From Operating Activities:	
Cash Received from Users	\$ 2,833,881
Cash Payments to Suppliers for Goods and Services	(3,284,781)
NET CASH USED BY OPERATING ACTIVITIES	<u>(450,900)</u>
Cash Flows From Non-Capital Financing Activities:	
State Sources	77,856
Federal Sources	573,187
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>651,043</u>
Cash Flows From Capital and Related Financing Activities:	
Acquisition of Capital Assets	<u>(139,057)</u>
Cash Flows From Investing Activities:	
Earnings on Investments	696
Purchase of Investment Securities/Deposits to Investment Pools	(73,369)
NET CASH USED BY INVESTING ACTIVITIES	<u>(72,673)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(11,587)
Cash and Cash Equivalents - July 1, 2013	<u>380,732</u>
CASH AND CASH EQUIVALENTS - JUNE 30, 2014	<u>\$ 369,145</u>

Reconciliation of Operating Loss to Net Cash Used by Operating Activities:

Operating Loss	\$ (714,616)
Adjustments to Reconcile Operating Loss	
to Net Cash Used by Operating Activities:	
Depreciation	80,056
Changes in Assets and Liabilities:	
Accounts Receivable	3,674
Inventories	8,188
Accounts Payable	161,051
Accrued Salaries and Benefits	765
Unearned Revenue	9,982
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (450,900)</u>

The accompanying notes are an integral part of this statement.

DOWNINGTOWN AREA SCHOOL DISTRICT

Statement of Fiduciary Net Position

For the Year Ended June 30, 2014

	Private- Purpose Trusts	Agency Funds
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 39,231	\$ 403,728
Investments	0	11,538
TOTAL ASSETS	\$ 39,231	\$ 415,266
<u>LIABILITIES</u>		
Accounts Payable	\$ 0	\$ 31,864
Due to Student Groups	0	383,402
TOTAL LIABILITIES	\$ 0	\$ 415,266
<u>NET POSITION</u>		
Restricted for Scholarships	\$ 39,231	
Unrestricted	0	
TOTAL NET POSITION	\$ 39,231	

The accompanying notes are an integral part of this statement.

DOWNTOWN AREA SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2014

	Private- Purpose Trusts
Additions:	
Gifts and Contributions	\$ 12,535
Deductions:	
Scholarships Awarded	<u>17,550</u>
CHANGE IN NET POSITION	(5,015)
Net Position - July 1, 2013	<u>44,246</u>
NET POSITION - JUNE 30, 2014	<u><u>\$ 39,231</u></u>

The accompanying notes are an integral part of this statement.

DOWNINGTOWN AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

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.

DOWNINGTOWN AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

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, 2014

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, 2014

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. The allowance for uncollectibles was \$63,123 at June 30, 2014.

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 financial statements. The only deferred outflow of resources reported in the District's financial statements is the deferred amount related to the accumulated decrease in the fair value of hedging derivatives.

DOWNINGTOWN AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

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 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). The District will not recognize the related revenues until a future event occurs. The District has only one type of item which occurs because governmental fund revenues are not recognized until available under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, deferred delinquent taxes are reported in the governmental funds balance sheet. The District did not have deferred inflows of resources to report in its government-wide or proprietary fund financial statements for the current year.

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, 2014 to be \$219,302.

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 \$231,130 at June 30, 2014.

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 \$1,989,177 at June 30, 2014.

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, 2014

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, 2014

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 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, 2014

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 \$98,684,815, and the corresponding bank balance was \$98,800,142.

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 to 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, 2014 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	\$ 747,036
Capital Projects Fund Accounts	AAA	25,205,697
Food Service Fund Account	AAA	843,892
Trust and Agency Account	AAA	11,538
TOTAL		<u>26,808,163</u>
Pennsylvania Local Government Investment Trust:		
General Fund Accounts	AAA	<u>263,674</u>
TOTAL POOLED INVESTMENTS (CARRIED FORWARD)		27,071,837

DOWNINGTOWN AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

NOTE 3 - Deposits and Investments (Continued)

TOTAL POOLED INVESTMENTS (BROUGHT FORWARD)		27,071,837
<u>Other Investments:</u>		
Certificates of Deposit:		
General Fund Accounts	Not Applicable	38,537,331
Capital Projects Fund Accounts	Not Applicable	29,058,750
Investment Derivative Instrument (Government-Wide only)	Not Applicable	1,030,060
TOTAL CERTIFICATES OF DEPOSIT		68,626,141
Agency Bonds:		
Capital Projects Fund Accounts	AAA	4,498,548
TOTAL OTHER INVESTMENTS		73,124,689
TOTAL INVESTMENTS		<u>\$ 100,196,526</u>

Derivative Instruments

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2014, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2014 financial statements are as follows:

	<u>Changes in Fair Value</u>		<u>Fair Value at June 30, 2014</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	\$ 417,168	Debt	\$ (7,915,752)	\$ 54,350,000	
Investment derivative instruments:						
Pay-variable interest rate swap	Investment	\$ (132,915)	Investment	\$ 1,030,060	\$ 49,175,000	

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, 2014

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, 2014, along with the credit rating of the associated counterparty.

Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
Pay-fixed interest rate swaps	Hedge of changes in cash flows on the 2006C & 2006A bonds	\$ 34,500,000	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	\$ 19,850,000	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, 2014, 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, 2014.

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, 2014, the weighted-average interest rate on the District's hedged variable-rate debt was 0.19 percent, while seventy percent of the 3-month London Inter-Bank Offered Rate (LIBOR) was 0.16 percent.

Investment Derivatives

Terms - The District is invested in a pay-variable, receive-variable interest rate swap with a notional amount of \$49,175,000 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, 2014, 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, 2014.

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, 2014, 75% of the 3-month LIBOR plus 0.45% was 0.63%, and SIFMA swap index was 0.06%.

DOWNTOWNTOWN AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

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, 2014, 75% of the 3-month LIBOR plus 0.45% was 0.63%, and SIFMA swap index was 0.06%.

NOTE 4 - Taxes Receivable

	General	Other Funds	Total
Real Estate Taxes	\$ 3,616,006	\$ 0	\$ 3,616,006
Transfer Taxes	248,419	0	248,419
Earned Income Taxes	717,578	0	717,578
Other Taxes	1,375	0	1,375
	<u>4,583,378</u>	<u>0</u>	<u>4,583,378</u>
Less: Allowance for Uncollectibles	<u>(63,123)</u>	<u>0</u>	<u>(63,123)</u>
NET TAXES RECEIVABLE	<u>\$ 4,520,255</u>	<u>\$ 0</u>	<u>\$ 4,520,255</u>

At the end of the current fiscal year, the District reported deferred inflows of resources, related to unavailable real estate and earned income tax revenue, in the amount of \$3,903,961 in the governmental funds.

NOTE 5 - Interfund Receivables, Payables and Transfers

	Receivables	Payables
General Fund	\$ 0	\$ 51,588,324
Capital Projects Fund	52,700,538	1,128,086
Food Service Fund	15,872	0
	<u>\$ 52,716,410</u>	<u>\$ 52,716,410</u>
	Transfer to Other Funds	Transfer from Other Funds
General Fund (Non-Reimbursement)	\$ 18,182,834	\$ 0
Capital Projects Fund (Non-Reimbursement)	0	18,182,834
General Fund (Reimbursement for Curriculum)	1,435,817	0
General Fund (Reimbursement for Facilities)	1,665,100	0
General Fund (Reimbursement for Technology)	3,787,503	0
Capital Projects Fund (Reimbursement for Curriculum)	0	1,435,817
Capital Projects Fund (Reimbursement for Facilities)	0	1,665,100
Capital Projects Fund (Reimbursement for Technology)	0	3,787,503
Capital Projects Fund (Reimbursement for Capital)	8,209,912	8,209,912
	<u>\$ 33,281,166</u>	<u>\$ 33,281,166</u>

DOWNINGTOWN AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

NOTE 6 - Capital Assets

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital Assets:				
Land	\$ 41,515,333	\$ 0	\$ 140,000	\$ 41,375,333
Land Improvements	15,652,169	0	0	15,652,169
Buildings	283,759,784	1,117,483	1,802,766	283,074,501
Construction in Progress	15,140,143	21,956,533	1,117,483	35,979,193
Furniture and Equipment	23,913,525	5,997,548	1,791,383	28,119,690
TOTAL CAPITAL ASSETS	<u>379,980,954</u>	<u>29,071,564</u>	<u>4,851,632</u>	<u>404,200,886</u>
Accumulated Depreciation for:				
Land Improvements	9,717,938	832,524	0	10,550,462
Buildings	81,430,818	6,356,541	877,346	86,910,013
Furniture and Equipment	13,712,623	2,820,328	1,791,383	14,741,568
TOTAL ACCUMULATED DEPRECIATION	<u>104,861,379</u>	<u>10,009,393</u>	<u>2,668,729</u>	<u>112,202,043</u>
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET	<u>\$ 275,119,575</u>	<u>\$ 19,062,171</u>	<u>\$ 2,182,903</u>	<u>\$ 291,998,843</u>
<u>Business-Type Activities:</u>				
Capital Assets:				
Machinery and Equipment	\$ 2,636,862	\$ 139,057	\$ 0	\$ 2,775,919
Accumulated Depreciation for:				
Machinery and Equipment	<u>2,103,120</u>	<u>80,056</u>	<u>0</u>	<u>2,183,176</u>
BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS, NET	<u>\$ 533,742</u>	<u>\$ 59,001</u>	<u>\$ 0</u>	<u>\$ 592,743</u>

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

Governmental Activities - Unallocated	\$ 10,009,393
Business-Type Activities	<u>80,056</u>
TOTAL	<u>\$ 10,089,449</u>

DOWNINGTOWN AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

NOTE 7 - Long-Term Debt

	Principal Outstanding July 1, 2013	Maturities	Additions	Principal Outstanding June 30, 2014
General Obligation Note Series A of 2006	\$ 19,400,000	\$ 100,000	\$ 0	\$ 19,300,000
General Obligation Note Series C of 2006	15,200,000	0	0	15,200,000
General Obligation Bonds Series AA of 2009	53,135,000	3,960,000	0	49,175,000
General Obligation Bonds Series of 2010	20,685,000	835,000	0	19,850,000
General Obligation Bonds Series A of 2010	10,470,000	5,000	0	10,465,000
General Obligation Bonds Series A QSCB of 2010	24,973,230	1,664,880	0	23,308,350
General Obligation Bonds Series of 2011	16,405,000	3,090,000	0	13,315,000
General Obligation Bonds Series C QSCB of 2011	11,761,000	5,000	0	11,756,000
TOTAL	172,029,230	9,659,880	0	162,369,350
Less: Deferred Amounts: Issuance Premium (Discounts)	4,217,177	367,806	0	3,849,371
LONG-TERM DEBT	<u>\$176,246,407</u>	<u>\$10,027,686</u>	<u>\$ 0</u>	<u>\$166,218,721</u>

DOWNTOWN AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2014

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, 2014 was 0.05%	\$ 19,300,000
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, 2014 was 0.05%	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%	49,175,000
General Obligation Bonds, Series of 2010. Original principal amount of \$23,680,000, maturing May 1, 2030, bearing interest at variable rates. Interest rate on \$1,710,000 of bond principal was 0.31% at June 30, 2014. Interest rate on \$18,975,000 of bond principal was 0.43% at June 30, 2014.	19,850,000
General Obligation Bonds, Series A of 2010. Original principal amount of \$10,480,000, maturing April 15, 2030, bearing interest from 1.0% to 3.7%	10,465,000
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.	23,308,350
General Obligation Bonds, Series of 2011. Original principal amount of \$20,670,000, maturing April 1, 2018, bearing interest at 2.0% to 5.0%	13,315,000
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.	11,756,000
TOTAL	<u><u>\$162,369,350</u></u>

DOWNINGTOWN AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

NOTE 7 - Long-Term Debt (Continued)

The annual requirements to amortize all debts outstanding as of June 30, 2014 are as follows:

<u>Year Ended:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 10,684,632	\$ 5,400,435	\$ 16,085,067
2016	11,009,632	5,085,823	16,095,455
2017	11,364,632	4,740,243	16,104,875
2018	11,739,632	4,371,210	16,110,842
2019	12,284,632	3,853,424	16,138,056
2020-2024	61,393,160	12,064,412	73,457,572
2025-2029	37,173,278	4,668,679	41,841,957
2030	6,719,752	198,807	6,918,559
TOTAL MATURITIES	162,369,350	40,383,033	202,752,383
 Deferred Amounts	 3,849,371	 (3,849,371)	 0
 TOTAL	 \$ 166,218,721	 \$ 36,533,662	 \$ 208,752,383

Swap Payments and Associated Debt

Hedging derivative instrument payments and hedged debt - As of June 30, 2014, 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>	
2015	\$ 975,000	\$ 449,563	\$ 1,836,143	\$ 3,260,706
2016	1,010,000	440,063	1,801,839	3,251,902
2017	1,055,000	430,213	1,766,297	3,251,510
2018	1,095,000	419,913	1,855,576	3,370,489
2019	1,140,000	409,213	1,822,686	3,371,899
2020-2024	39,960,000	1,039,350	4,586,777	45,586,127
2025-2029	7,425,000	278,850	986,014	8,689,864
2030	1,690,000	9,900	35,006	1,734,906
 TOTAL	 \$ 54,350,000	 \$ 3,477,065	 \$14,690,338	 \$72,517,403

DOWNINGTOWN AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

NOTE 8 - Changes in Other Long-Term Liabilities

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014
Accrued Vacation	\$ 1,888,186	\$ 100,991	\$ 0	\$ 1,989,177
Accrued Severance and Sick Days	433,177	17,315	0	450,432
TOTAL	\$ 2,321,303	\$ 118,306	\$ 0	\$ 2,439,609

NOTE 9 - Construction Commitments

At June 30, 2014, the School District's capital projects fund had outstanding construction commitments amounting to \$4,942,379 for the renovations to various schools.

NOTE 10 - Fund Balances - General Fund

Nonspendable:			
Prepaid Expenses			\$ 1,126
Assigned:			
Future Healthcare Claims		5,000,000	
Future PSERS Obligations		<u>5,000,000</u>	10,000,000
Unassigned			<u>16,106,800</u>
TOTAL FUND BALANCES - GENERAL FUND			\$ <u>26,107,926</u>

NOTE 11 - 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.

DOWNINGTOWN AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2014

NOTE 11 - Property Tax (Continued)

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

Assessed Valuation, Adjusted by	
Authorized Revisions	\$5,165,841,057
Approved Tax Rate in Mills	27.182
GROSS LEVY	140,417,892
Plus Penalties Applied	258,974
Deductions:	
Discounts	(2,399,812)
Assessment Changes and Exonerations	(1,286,753)
State Property Tax Reduction Allocation	(3,813,172)
Taxes Receivable	(2,899,893)
NET CURRENT YEAR PROPERTY TAX REVENUE	<u>\$ 130,277,236</u>

NOTE 12 - Employee Retirement Systems and Pension Plans

School districts in the Commonwealth of Pennsylvania participate in a state-administered pension program. Under the program, contributions are made by each of three parties - the School District, the state and the employee. All full-time employees of the School District, and part-time employees who meet certain minimum employment requirements, participate in the program. The School District's contributions for the year ended June 30, 2014 totaled \$12,157,082. Total covered payroll was \$80,109,588 and total payroll was \$80,785,970 for the current year. The following is a summary of plan benefit and asset information:

Plan Description:

Name of Plan - The Public School Employees' Retirement System of Pennsylvania (the System).

Type of Plan - Governmental cost sharing multiple-employer defined benefit plan.

Benefits - Retirement and disability, legislative mandated *ad hoc* cost-of-living adjustments, health care insurance premium assistance to qualified annuitants.

Authority - The Public School Employee's Retirement Code (Act No. 96 of October 2, 1975, as amended) (24 Pa. C.S. 8101-8535).

DOWNINGTOWN AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

NOTE 12 - Employee Retirement Systems and Pension Plans (Continued)

Annual Financial Report - The System issues a comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Public School Employees' Retirement System, P.O. Box 125, Harrisburg, PA 17108-0125.

Funding Policy:

Authority - The contribution policy is established in the Public School Employees' Retirement Code and requires contributions by active members, employers, and the Commonwealth.

Contribution Rates - Members contribute from 5.25 to 7.50 percent of their qualifying compensation, depending on when their employment began.

Contributions required of employers are based upon an actuarial valuation. For the fiscal year ended June 30, 2014, the rate of employer contribution was 16.93 percent of covered payroll.

NOTE 13 - 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.

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, 2014, 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.

DOWNINGTOWN AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2014

NOTE 13 - Other Post-employment Benefits (Continued)

Funding Progress

As of July 1, 2012, the date of the most recent actuarial report, the actuarial accrued liability for benefits was \$13,275,100, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$76,701,280 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 17%.

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, 2012 actuarial valuation, the following actuarial assumptions were used:

Interest	3.25% compounded annually
Amortization Method	Projected Unit Credit Method
Amortization Period	15 Years (Beginning July 1, 2008)
Salary Increases	Salary increase rates based on the age-based rates utilized in the July 1, 2010 Actuarial Valuation for PSERS

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, 2014

NOTE 13 - Other Post-employment Benefits (Continued)

Annual OPEB Cost and NET OPEB Obligations (Continued)

Annual OPEB Cost:	
Normal Cost	\$ 754,568
Amortization of Unfunded Actuarial	
Accrued Liability	1,632,971
Interest on Net OPEB Obligation	124,234
Funding Adjustment	(453,860)
	<hr/>
ANNUAL OPEB COST	\$ 2,057,913
	<hr/>
Net OPEB Obligation:	
Normal OPEB Obligation July 1, 2013	\$ 3,822,596
OPEB Cost for the year ended June 30, 2014	2,057,913
Actual Contributions for the year ended June 30, 2014	(631,908)
	<hr/>
NET OPEB OBLIGATION	\$ 5,248,601
	<hr/>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed, and the net OPEB obligation for the year ended June 30, 2014 and the two preceding years were as follows:

<u>Fiscal</u> <u>Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB</u> <u>Cost</u>	<u>Percentage</u> <u>of Annual</u> <u>OPEB</u> <u>Cost</u> <u>Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
June 30, 2012	\$ 1,576,072	39.81%	\$ 2,304,167
June 30, 2013	1,976,761	23.19%	3,822,596
June 30, 2014	2,057,913	30.71%	5,248,601

NOTE 14 - Prior Period Adjustment

Net position as of June 30, 2013 has been restated as a result of the District's adoption of Government Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The statement required the unamortized balance of debt issuance costs from prior years to be expensed in the year incurred. The effect of the restatement was to reduce net position as of July 1, 2013 by \$1,734,446.

NOTE 15 - Subsequent Events

The District has evaluated subsequent events through December 3, 2014, which represents the date the financial statements were available to be issued.

DOWNINGTOWN AREA SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2014

	Original Budget	Amended Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Local Revenues	\$ 151,319,934	\$ 151,519,934	\$ 158,062,114	\$ 6,542,180
State Program Revenues	38,440,601	38,440,601	38,795,263	354,662
Federal Program Revenues	1,419,465	3,028,882	3,057,783	28,901
TOTAL REVENUES	<u>191,180,000</u>	<u>192,989,417</u>	<u>199,915,160</u>	<u>6,925,743</u>
Expenditures:				
Regular Programs	84,642,863	83,944,716	77,480,067	6,464,649
Special Programs	24,118,246	24,074,464	22,947,710	1,126,754
Vocational Programs	6,302,373	6,300,155	5,723,326	576,829
Other Instructional Programs	1,982,521	1,891,303	1,425,769	465,534
Pupil Personnel Services	6,099,362	6,338,180	6,045,437	292,743
Instructional Staff Services	5,463,142	5,587,699	4,420,735	1,166,964
Administrative Services	10,170,156	10,079,117	9,479,748	599,369
Pupil Health	2,829,823	2,833,323	2,600,594	232,729
Business Services	1,411,977	1,417,308	1,375,160	42,148
Operation and Maintenance of Plant Services	12,681,294	13,104,270	13,085,122	19,148
Student Transportation Services	10,048,899	10,053,068	10,031,148	21,920
Central and Other Support Services	3,637,940	3,758,960	3,456,278	302,682
Student Activities	3,114,404	3,423,405	3,400,821	22,584
Community Services	51,000	56,000	17,249	38,751
Capital Outlay	300,000	301,500	300,250	1,250
Debt Service	15,586,000	17,395,417	16,801,219	594,198
TOTAL EXPENDITURES	<u>188,440,000</u>	<u>190,558,885</u>	<u>178,590,633</u>	<u>11,968,252</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>2,740,000</u>	<u>2,430,532</u>	<u>21,324,527</u>	<u>18,893,995</u>
Other Financing Sources (Uses):				
Interfund Transfers Out	(6,000,000)	(5,867,200)	(25,071,254)	(19,204,054)
Sale of Capital Assets	0	0	17,064	17,064
Refunds of Prior Years Revenues	(60,000)	(10,000)	(5,474)	4,526
Refunds of Prior Years Expenses	0	0	244,587	244,587
Budgetary Reserve	(500,000)	(373,332)	0	373,332
TOTAL OTHER FINANCING SOURCES (USES)	<u>(6,560,000)</u>	<u>(6,250,532)</u>	<u>(24,815,077)</u>	<u>(18,564,545)</u>
NET CHANGE IN FUND BALANCES	<u>(3,820,000)</u>	<u>(3,820,000)</u>	<u>(3,490,550)</u>	<u>329,450</u>
Fund Balance - July 1, 2013	<u>51,820,000</u>	<u>51,820,000</u>	<u>29,598,476</u>	<u>(22,221,524)</u>
FUND BALANCE - JUNE 30, 2014	<u>\$ 48,000,000</u>	<u>\$ 48,000,000</u>	<u>\$ 26,107,926</u>	<u>\$ (21,892,074)</u>

DOWNINGTOWN AREA SCHOOL DISTRICT
Schedule of Post Employment Benefit Obligation Funding Progress
For the Year Ended June 30, 2014

<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, 2008	\$ 0	\$ 9,844,100	\$ 9,844,100	0%	\$ 70,462,878	13.97%
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%

DOWNINGTOWN AREA SCHOOL DISTRICT

Combined Balance Sheet

Capital Projects Funds

June 30, 2014

	Capital Reserve Fund	Capital Project Fund 33	Capital Project Fund 34	Capital Project Fund 35	Total
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 7,655,756	\$ 26,591	\$ 102,952	\$ 35,850,288	\$ 43,635,587
Investments	17,230,288	0	18,001,072	23,531,635	58,762,995
Interest Receivable	36,602	0	0	0	36,602
Due from Other Funds	0	1,128,086	0	51,572,452	52,700,538
TOTAL ASSETS	<u>\$ 24,922,646</u>	<u>\$ 1,154,677</u>	<u>\$ 18,104,024</u>	<u>\$ 110,954,375</u>	<u>\$ 155,135,722</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts Payable and Other Accrued Liabilities	\$ 237	\$ 1,154,677	\$ 0	\$ 4,173,625	\$ 5,328,539
Due to Other Funds	0	0	1,128,086	0	1,128,086
TOTAL LIABILITIES	<u>237</u>	<u>1,154,677</u>	<u>1,128,086</u>	<u>4,173,625</u>	<u>6,456,625</u>
Fund Balance					
Assigned	<u>24,922,409</u>	<u>0</u>	<u>16,975,938</u>	<u>106,780,750</u>	<u>148,679,097</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 24,922,646</u>	<u>\$ 1,154,677</u>	<u>\$ 18,104,024</u>	<u>\$ 110,954,375</u>	<u>\$ 155,135,722</u>

DOWNINGTOWN AREA SCHOOL DISTRICT
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Capital Projects Funds
For the Year Ended June 30, 2014

	Capital Reserve Fund	Capital Project Fund 33	Capital Project Fund 34	Capital Project Fund 35	Total
Revenues:					
Earnings from Investments	\$ 98,872	\$ 8,940	\$ 30,722	\$ 164,112	\$ 302,646
Expenditures:					
Capital Outlay	0	20,541,577	0	6,888,420	27,429,997
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	98,872	(20,532,637)	30,722	(6,724,308)	(27,127,351)
Other Financing Sources (Uses):					
Interfund Transfers In (Reimbursement)	0	8,209,912	0	6,888,420	15,098,332
Interfund Transfers In (Non-Reimbursement)	0	0		18,182,834	18,182,834
Interfund Transfers Out (Reimbursement)	0	0	(8,209,912)	0	(8,209,912)
Sale of Capital Assets	0	0	0	1,332,355	1,332,355
TOTAL OTHER FINANCING SOURCES (USES)	0	8,209,912	(8,209,912)	26,403,609	26,403,609
NET CHANGE IN FUND BALANCES	98,872	(12,322,725)	(8,179,190)	19,679,301	(723,742)
Fund Balances - July 1, 2013	24,823,537	12,322,725	25,155,128	87,101,449	149,402,839
FUND BALANCES - JUNE 30, 2014	<u>\$ 24,922,409</u>	<u>\$ 0</u>	<u>\$ 16,975,938</u>	<u>\$ 106,780,750</u>	<u>\$ 148,679,097</u>

DOWNINGTOWN AREA SCHOOL DISTRICT

General Fund

Borrowing Base Calculation

June 30, 2014

(Unaudited)

	Year Ended June 30,		
	2012	2013	2014
Gross Revenues Received - General Fund	<u>\$ 189,815,520</u>	<u>\$ 194,028,339</u>	<u>\$ 199,915,160</u>
Deductions Pursuant to Section 102(c) (16) of Act 185 of 1972;			
(i) Subsidy - Rentals and Sinking Fund Payments	3,193,177	1,541,547	1,892,129
(ii) Sale of Capital Assets and Other			
Non-Recurring Revenues	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL DEDUCTIONS	<u>3,193,177</u>	<u>1,541,547</u>	<u>1,892,129</u>
 TOTAL REVENUES AS DEFINED IN SECTION 102(C) (16) OF ACT 185 OF 1972	 <u>\$ 186,622,343</u>	 <u>\$ 192,486,792</u>	 <u>\$ 198,023,031</u>
 TOTAL REVENUES FOR PAST THREE YEARS	 <u>\$ 551,781,208</u>	 <u>\$ 563,205,318</u>	 <u>\$ 577,132,166</u>
 BORROWING BASE - AVERAGE ANNUAL REVENUES	 <u>\$ 183,927,069</u>	 <u>\$ 187,735,106</u>	 <u>\$ 192,377,389</u>
 DEBT LIMIT - 225% OF BORROWING BASE	 <u>\$ 413,835,906</u>	 <u>\$ 422,403,989</u>	 <u>\$ 432,849,125</u>

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local Sources	\$ 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	\$ 112,951,070
State Sources	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	26,344,987
Federal Sources	3,057,783	3,012,007	3,140,124	5,757,006	3,925,070	919,583	926,430	921,818	440,054	317,959
TOTAL REVENUES	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	139,614,016
Expenditures:										
Instruction	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	75,158,910
Support Services	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	36,289,286
Non-Instructional Services	3,418,070	3,405,943	3,234,836	3,353,499	1,081,001	1,163,735	661,828	650,344	675,014	725,593
Capital Outlay	300,250	1,558,131	3,000,000	0	0	0	0	0	0	0
Debt Service	16,801,219	27,185,883	26,836,505	18,287,185	18,786,810	19,078,257	17,567,225	16,876,467	14,563,115	13,888,157
TOTAL EXPENDITURES	178,590,633	182,388,829	180,167,042	170,939,173	165,135,545	160,471,040	151,856,976	144,159,338	131,769,602	126,061,946
EXCESS OF REVENUES OVER										
EXPENDITURES	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	13,552,070
Other Financing Sources (Uses):										
Interfund Transfers In	0	0	0	0	0	56,767	0	0	0	0
Interfund Transfers Out	(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)	(12,824,800)
Sale of Capital Assets	17,064	3,675	16,100	0	0	0	0	0	0	0
Capital Lease Debt Issued	0	0	0	713,040	0	0	0	0	0	0
Refunds of Prior Years Expenses (Revenues)	239,113	384	(10,642)	36,170	55,209	165,470	(230,295)	(304,446)	(823,635)	0
TOTAL OTHER FINANCING SOURCES (USES)	(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)	(12,824,800)
NET CHANGE IN FUND BALANCES	(3,490,550)	(9,101,569)	(12,277,270)	10,441,690	1,730,254	550,415	3,135,898	(794,373)	397,198	727,270
Fund Balances - Beginning	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	11,071,924
Prior Period Adjustment	0	0	0	0	0	167,190	16,619	23,178,464	0	0
FUND BALANCES - ENDING (RESTATED)	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	11,071,924
FUND BALANCES - JUNE 30	\$ 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	\$ 11,799,194

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

	2014		2013		2012		2011		2010	
	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual
Revenues:										
Local Sources	\$ 151,319,934	\$ 158,062,114	\$ 151,697,123	\$ 155,165,778	\$ 148,233,912	\$ 150,471,909	\$ 147,481,628	\$ 146,373,855	\$143,943,049	\$144,795,089
State Sources	38,440,601	38,795,263	36,648,877	35,850,554	34,933,500	36,203,487	37,898,372	34,875,076	35,462,351	34,458,093
Federal Sources	1,419,465	3,057,783	1,458,000	3,012,007	1,549,025	3,140,124	2,412,000	5,757,006	3,454,600	3,925,070
TOTAL REVENUES	191,180,000	199,915,160	189,804,000	194,028,339	184,716,437	189,815,520	187,792,000	187,005,937	182,860,000	183,178,252
Expenditures:										
Regular Programs	84,642,863	77,480,067	83,498,254	73,925,443	76,800,064	71,789,600	74,462,903	69,548,479	73,480,639	67,953,524
Special Programs	24,118,246	22,947,710	24,799,582	21,085,193	24,431,112	21,050,519	25,523,433	23,042,260	23,705,229	22,562,603
Vocational Programs	6,302,373	5,723,326	6,571,773	6,176,446	7,064,327	6,538,896	6,969,898	7,045,387	6,900,721	6,928,052
Other Instructional Programs	1,982,521	1,425,769	1,636,066	1,379,363	1,508,031	1,567,525	1,796,365	1,630,027	1,834,071	1,841,734
Pupil Personnel Services	6,099,362	6,045,437	5,706,891	5,728,429	5,492,904	5,298,326	5,395,672	5,264,519	5,238,427	4,901,664
Instructional Staff Services	5,463,142	4,420,735	5,085,592	4,460,467	5,450,065	4,289,526	5,651,230	4,752,581	5,477,349	4,399,932
Administrative Services	10,170,156	9,479,748	9,173,297	8,826,275	8,654,446	8,290,794	8,952,895	9,139,590	8,924,838	8,107,959
Pupil Health	2,829,823	2,600,594	2,738,077	2,633,840	2,490,275	2,516,052	1,562,265	1,473,162	1,521,437	1,402,657
Business Services	1,411,977	1,375,160	1,263,848	1,298,612	1,182,131	1,137,795	1,231,514	1,215,356	1,066,887	1,212,783
Operation and Maintenance of Plant Services	12,681,294	13,085,122	12,960,461	11,694,446	13,141,927	11,409,836	14,217,981	13,121,864	13,962,806	13,319,612
Student Transportation Services	10,048,899	10,031,148	10,223,581	9,572,089	9,815,366	9,900,783	9,718,010	9,613,066	9,361,340	9,334,729
Central and Other Support Services	3,637,940	3,456,278	3,599,481	3,458,269	3,747,757	3,306,049	3,369,557	3,452,198	2,769,884	3,302,485
Student Activities	3,114,404	3,400,821	3,209,497	3,377,064	3,054,297	3,203,140	3,068,971	3,295,941	766,411	1,029,285
Community Services	51,000	17,249	64,600	28,879	70,100	31,696	82,306	57,558	69,961	51,716
Capital Outlay	300,000	300,250	0	1,558,131	0	3,000,000	0	0	0	0
Debt Service	15,586,000	16,801,219	16,500,000	27,185,883	18,000,000	26,836,505	20,000,000	18,287,185	20,000,000	18,786,810
TOTAL EXPENDITURES	188,440,000	178,590,633	187,031,000	182,388,829	180,902,802	180,167,042	182,003,000	170,939,173	175,080,000	165,135,545
EXCESS OF REVENUES OVER EXPENDITURES	2,740,000	21,324,527	2,773,000	11,639,510	3,813,635	9,648,478	5,789,000	16,066,764	7,780,000	18,042,707
Other Financing Sources (Uses):										
Interfund Transfers In	0	0	0	0	0	0	0	0	0	0
Interfund Transfers Out	(6,000,000)	(25,071,254)	(5,980,000)	(20,745,138)	(5,713,635)	(21,931,206)	(6,500,000)	(6,374,284)	(7,930,000)	(16,367,562)
Sale of Capital Assets	0	17,064	0	3,675	0	16,100	0	0	0	0
Capital Lease Debt Issued	0	0	0	0	0	0	0	713,040	0	0
Refunds of Prior Years Expenses (Revenues)	(60,000)	239,113	(80,000)	384	(100,000)	(10,642)	(60,000)	36,170	(100,000)	55,209
Budgetary Reserve	(500,000)	0	(500,000)	0	(500,000)	0	(750,000)	0	(750,000)	0
TOTAL OTHER FINANCING SOURCES (USES)	(6,560,000)	(24,815,077)	(6,560,000)	(20,741,079)	(6,313,635)	(21,925,748)	(7,310,000)	(5,625,074)	(8,780,000)	(16,312,453)
NET CHANGE IN FUND BALANCES	(3,820,000)	(3,490,550)	(3,787,000)	(9,101,569)	(2,500,000)	(12,277,270)	(1,521,000)	10,441,690	(1,000,000)	1,730,254
Fund Balances - Beginning	51,820,000	29,598,476	23,950,000	38,700,045	42,250,000	50,977,315	15,136,800	40,535,625	14,148,000	38,450,605
Prior Period Adjustment	0	0	0	0	0	0	0	0	0	0
FUND BALANCES - ENDING (RESTATED)	51,820,000	29,598,476	23,950,000	38,700,045	42,250,000	50,977,315	15,136,800	40,535,625	14,148,000	38,450,605
FUND BALANCES - JUNE 30	\$ 48,000,000	\$ 26,107,926	\$ 20,163,000	\$ 29,598,476	\$ 39,750,000	\$ 38,700,045	\$ 13,615,800	\$ 50,977,315	\$ 13,148,000	\$ 40,180,859

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

	2009		2008		2007		2006		2005	
	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual
Revenues:										
Local Sources	\$ 140,037,014	\$ 141,835,270	\$ 135,085,133	\$ 140,460,808	\$ 124,356,225	\$ 133,878,348	\$ 114,134,704	\$ 123,228,464	\$105,277,975	\$112,951,070
State Sources	35,809,986	35,339,348	29,718,317	31,863,050	28,278,775	29,369,445	26,890,296	26,946,917	25,599,400	26,344,987
Federal Sources	1,003,000	919,583	796,550	926,430	365,000	921,618	475,000	440,054	372,625	317,959
TOTAL REVENUES	176,850,000	178,094,201	165,600,000	173,250,288	153,000,000	164,169,411	141,500,000	150,615,435	131,250,000	139,614,016
Expenditures:										
Regular Programs	72,201,942	65,273,933	66,874,672	64,072,900	61,914,513	60,608,830	57,693,236	54,756,311	54,214,131	52,862,824
Special Programs	22,055,877	20,982,932	20,142,290	18,457,024	18,537,667	18,107,365	16,423,344	16,445,686	14,760,762	15,227,462
Vocational Programs	6,710,990	6,713,526	6,704,134	6,540,624	6,212,344	6,335,186	5,936,539	5,898,996	5,582,673	5,555,520
Other Instructional Programs	1,950,670	1,569,577	1,734,179	1,748,518	1,833,731	1,536,963	1,759,180	1,707,448	1,597,319	1,513,104
Pupil Personnel Services	4,987,874	4,614,338	4,978,490	4,557,148	4,974,764	4,523,654	4,572,334	4,259,469	4,205,684	4,193,943
Instructional Staff Services	5,272,455	4,405,856	5,570,994	5,116,112	4,808,116	4,326,004	4,442,056	4,052,618	4,211,669	4,025,058
Administrative Services	8,754,497	8,179,295	8,033,570	7,867,119	7,792,193	7,357,406	7,287,808	6,922,134	6,819,721	6,780,175
Pupil Health	1,422,257	1,352,018	1,337,914	1,262,219	1,238,340	1,184,401	1,117,669	1,091,904	1,035,499	1,008,834
Business Services	1,081,921	1,206,691	1,073,446	1,065,537	997,620	1,002,072	954,445	886,471	887,437	908,694
Operation and Maintenance of Plant Services	13,653,560	13,930,075	13,645,950	13,111,495	13,091,699	12,709,352	12,343,691	12,182,352	11,814,601	11,809,152
Student Transportation Services	8,687,433	9,272,617	8,127,508	8,465,847	7,380,700	7,654,940	6,743,516	7,178,649	6,165,261	6,562,622
Central and Other Support Services	2,329,587	2,728,190	1,560,561	1,363,380	1,464,996	1,286,354	1,362,218	1,149,435	1,172,824	1,020,808
Student Activities	781,184	1,119,871	736,897	620,791	676,291	610,462	713,964	630,328	733,419	672,572
Community Services	89,753	43,864	59,395	41,037	57,026	39,882	30,000	44,686	25,000	53,021
Debt Service	20,000,000	19,078,257	20,020,000	17,567,225	19,020,000	16,876,467	17,020,000	14,563,115	15,124,000	13,888,157
TOTAL EXPENDITURES	169,980,000	160,471,040	160,600,000	151,856,976	150,000,000	144,159,338	138,400,000	131,769,602	128,350,000	126,061,946
EXCESS OF REVENUES OVER EXPENDITURES	6,870,000	17,623,161	5,000,000	21,393,312	3,000,000	20,010,073	3,100,000	18,845,833	2,900,000	13,552,070
Other Financing Uses:										
Interfund Transfers In	0	56,767	0	0	0	0	0	0	0	0
Interfund Transfers Out	(5,750,000)	(17,294,983)	(3,900,000)	(18,027,119)	(1,900,000)	(20,500,000)	(2,000,000)	(17,625,000)	(2,350,000)	(12,824,800)
Refunds of Prior Years Revenues	(120,000)	165,470	(100,000)	(230,295)	(100,000)	(304,446)	(100,000)	(823,635)	0	0
Budgetary Reserve	(1,000,000)	0	(1,000,000)	0	(1,000,000)	0	(1,000,000)	0	(1,000,000)	0
TOTAL OTHER FINANCING USES	(6,870,000)	(17,072,746)	(5,000,000)	(18,257,414)	(3,000,000)	(20,804,446)	(3,100,000)	(18,448,635)	(3,350,000)	(12,824,800)
NET CHANGE IN FUND BALANCES	0	550,415	0	3,135,898	0	(794,373)	0	397,198	(450,000)	727,270
Fund Balances - Beginning	14,148,000	37,733,000	13,248,000	34,580,483	12,240,000	12,196,392	0	11,799,194	450,000	11,071,924
Prior Period Adjustment	0	167,190	0	16,619	0	23,178,464	0	0	0	0
FUND BALANCES - ENDING (RESTATED)	14,148,000	37,900,190	13,248,000	34,597,102	12,240,000	35,374,856	0	11,799,194	450,000	11,071,924
FUND BALANCES - JUNE 30	\$ 14,148,000	\$ 38,450,605	\$ 13,248,000	\$ 37,733,000	\$ 12,240,000	\$ 34,580,483	\$ 0	\$ 12,196,392	\$ 0	\$ 11,799,194

DOWNTOWN AREA SCHOOL DISTRICT
Comparative Statements of Revenues
and Other Financing Sources
General Fund

	2014	2013	2012	2011	2010
Revenues:					
Local Sources:					
Current Real Estate Taxes	\$ 130,277,236	\$ 129,407,143	\$ 126,413,056	\$123,849,460	\$121,308,451
Interim Real Estate Taxes	2,360,683	1,752,473	1,792,941	1,736,256	1,823,629
Public Utility Realty Taxes	186,605	189,265	197,693	196,179	188,392
Act 511 Occupational Privilege Tax	204,042	170,459	209,436	164,639	178,604
Act 511 Earned Income Tax	15,098,451	14,065,246	12,845,110	12,550,773	12,072,855
Act 511 Real Estate Transfer Tax	2,443,816	2,678,500	2,067,424	1,734,999	2,001,326
Delinquent Real Estate Taxes	3,954,319	3,379,685	3,486,927	2,997,765	3,817,104
Earnings on Investments	309,237	377,824	419,429	741,421	1,139,960
Intermediate Unit Revenue	1,593,535	1,682,844	1,563,822	1,474,452	1,518,018
Rentals	267,334	158,046	117,069	93,811	107,587
Contributions and Donations (Private Source)	0	0	0	0	0
Tuition - Regular & Summer School	58,790	77,561	62,613	59,311	106,762
Student Activities	1,171,632	1,090,745	1,113,741	0	0
Miscellaneous Revenue	136,434	135,987	182,648	775,240	532,401
TOTAL REVENUES FROM LOCAL SOURCES	158,062,114	155,165,778	150,471,909	146,374,306	144,795,089
State Sources:					
Basic Instruction Subsidy	13,509,785	13,062,584	13,062,584	11,697,594	11,932,397
Charter Schools	0	0	0	935,412	839,158
Tuitions	102,923	131,695	437,805	198,057	491,378
Special Education of Exceptional Pupils	5,313,903	5,310,989	5,211,893	5,226,233	5,247,386
Special Education/Extraordinary	98,085	0	0	0	0
Transportation	3,754,560	3,649,538	3,653,543	3,715,525	3,981,882
Rental and Sinking Fund Payments	1,892,129	1,541,547	3,193,177	2,909,754	2,115,570
Medical and Dental Services	313,153	308,513	287,491	288,145	286,406
State Property Tax Reduction Allocation	3,813,172	3,828,397	3,850,949	3,903,983	3,883,624
Other State Grants	0	0	51,000	0	0
Safe Schools	0	13,434	13,656	0	27,387
Accountability Grants	264,742	264,742	264,742	673,836	728,584
Dual Enrollment	0	0	0	46,405	55,585
Social Security Subsidy	2,964,554	2,890,657	2,862,912	2,995,144	2,950,318
Retirement Subsidy	6,768,257	4,848,458	3,313,297	2,281,268	1,918,418
Incarcerated Education	0	0	438	3,720	0
Classrooms of the Future	0	0	0	0	0
TOTAL REVENUES FROM STATE SOURCES	38,795,263	35,850,554	36,203,487	34,875,076	34,458,093
Federal Sources:					
Title I - Low Income	265,935	253,603	257,547	286,555	335,859
Title II Improving Teaching Quality	105,225	138,074	196,466	188,221	194,570
Title III English Language	18,016	33,528	40,114	38,075	64,138
Title V Innovative Education	0	0	0	0	0
Title VI	0	0	0	0	0
Drug Free School Grants	0	0	0	10,064	14,634
Qualified School Construction Bond (QSCB)	1,809,417	1,965,689	1,586,545	603,774	0
All Other Federal Grants	830,834	621,113	1,059,452	1,826,585	661,212
Medical Assistance/Administrative	28,356	0	0	0	0
ARRA Grants	0	0	0	2,803,281	2,654,657
TOTAL REVENUES FROM FEDERAL SOURCES	3,057,783	3,012,007	3,140,124	5,756,555	3,925,070
Other Financing Sources:					
Sale of Capital Assets	17,064	3,675	16,100	0	0
Proceeds from Capital Lease	0	0	0	713,040	0
Refunds of Prior Years Expenses	244,587	11,754	43,861	82,631	193,260
TOTAL OTHER FINANCING SOURCES	261,651	15,429	59,961	795,671	193,260
TOTAL REVENUES	\$ 200,176,811	\$ 194,043,768	\$ 189,875,481	\$187,801,608	\$183,371,512

DOWNINGTOWN AREA SCHOOL DISTRICT

**Comparative Statements of Revenues
and Other Financing Sources**

**General Fund
(Continued)**

	2009	2008	2007	2006	2005
Revenues:					
Local Sources:					
Current Real Estate Taxes	\$ 116,188,316	\$112,218,749	\$ 105,213,829	\$ 97,462,514	\$ 90,344,175
Interim Real Estate Taxes	3,044,228	3,907,605	3,563,185	2,991,577	2,993,679
Public Utility Realty Taxes	169,536	174,439	177,122	169,044	124,248
Act 511 Occupational Privilege Tax	189,809	147,464	218,218	214,334	183,065
Act 511 Earned Income Tax	11,879,981	11,723,290	10,864,954	9,843,262	9,368,756
Act 511 Real Estate Transfer Tax	1,884,621	2,931,794	4,128,842	4,654,401	3,455,628
Delinquent Real Estate Taxes	3,610,739	2,926,886	2,972,307	2,736,755	2,019,736
Earnings on Investments	2,578,378	4,517,530	4,816,089	3,498,440	1,892,603
Intermediate Unit Revenue	1,516,147	1,440,836	1,429,108	1,171,513	1,371,109
Rentals	58,598	105,123	130,024	109,476	82,371
Contributions and Donations (Private Source)	0	0	0	0	195
Tuition - Regular & Summer School	135,806	124,750	212,959	153,934	221,655
Miscellaneous Revenue	579,111	242,342	151,711	223,214	893,850
TOTAL REVENUES FROM LOCAL SOURCES	141,835,270	140,460,808	133,878,348	123,228,464	112,951,070
State Sources:					
Basic Instruction Subsidy	13,058,796	12,679,868	12,431,145	12,009,700	11,647,799
Charter Schools	797,043	596,495	524,201	391,865	339,444
Tuitions	452,513	360,524	300,363	440,814	229,040
Instructional Support Teams	0	0	0	0	691
Homebound Instruction	925	423	260	1,256	74,244
Alternative Education	112,088	107,700	113,042	93,887	0
Special Education of Exceptional Pupils	5,126,418	5,038,561	5,001,683	4,774,542	4,705,195
Transportation	3,976,816	3,752,612	3,519,159	3,268,769	3,244,371
Rental and Sinking Fund Payments	2,125,502	1,883,305	1,579,510	1,732,851	1,923,213
Medical and Dental Services	285,906	287,827	272,349	276,854	268,466
Extra Grants	3,792,872	0	0	0	0
Other State Grants	0	0	0	6,635	0
Safe Schools	3,685	34,180	0	0	0
Accountability Grants	720,013	716,593	644,651	516,537	516,538
Dual Enrollment	74,239	125,929	13,766	0	0
Social Security Subsidy	2,829,655	2,657,924	2,574,174	2,403,906	2,240,158
Retirement Subsidy	1,799,481	2,604,780	2,395,142	1,029,301	1,155,828
Classrooms of the Future	183,396	1,016,329	0	0	0
TOTAL REVENUES FROM STATE SOURCES	35,339,348	31,863,050	29,369,445	26,946,917	26,344,987
Federal Sources:					
Title I - Low Income	218,931	207,592	0	0	0
Title II Improving Teaching Quality	208,494	190,013	198,655	200,476	200,160
Title III English Language	27,089	30,192	38,948	10,377	21,540
Title V Innovative Education	0	10,461	10,593	0	0
Title VI	0	0	0	20,158	0
Drug Free School Grants	18,989	22,361	59,553	21,665	15,708
All Other Federal Grants	446,080	465,811	613,869	187,378	80,551
TOTAL REVENUES FROM FEDERAL SOURCES	919,583	926,430	921,618	440,054	317,959
Other Financing Sources:					
Interfund Transfers In	56,767	0	0	0	0
Refunds of Prior Years Expenses	223,935	80,631	34,708	0	0
TOTAL OTHER FINANCING SOURCES	280,702	80,631	34,708	0	0
TOTAL REVENUES	\$ 178,374,903	\$173,330,919	\$ 164,204,119	\$150,615,435	\$139,614,016