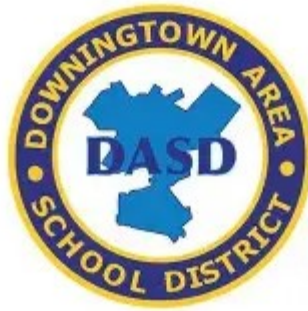




**DOWNINGTOWN AREA SCHOOL DISTRICT
DOWNINGTOWN, PENNSYLVANIA
CHESTER COUNTY**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2025



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INDEPENDENT AUDITORS' REPORT

Board of School Directors
Downingtown Area School District
Downingtown, Pennsylvania

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Downingtown Area School District, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Downingtown Area School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2025, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Downingtown Area School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Downingtown Area School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Downingtown Area School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Downingtown Area School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal-control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison – General Fund, the schedules of the District's proportionate share of the net pension liability - PSERS and pension plan contributions - PSERS, schedule of changes in OPEB liability single employer plan, and the schedules of the District's proportionate share of the net OPEB liability - PSERS and OPEB plan contributions - PSERS as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

Supplementary Information

Our audit for the year ended June 30, 2025 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Downingtown Area School District's basic financial statements. The combining financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* for the year ended June 30, 2025 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended June 30, 2025 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 GAAS. In our opinion, the combining financial statements and the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended June 30, 2025.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the borrowing base calculation and the comparative General Fund schedules but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

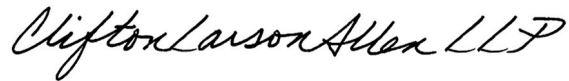
In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Summarized Comparative Information

The Downingtown Area School District's 2024 financial statements were audited by other auditors, and they expressed unmodified audit opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information in their report dated March 31, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2026, 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 solely 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 the effectiveness of Downingtown Area School District's 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.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

King of Prussia, Pennsylvania
March 30, 2026

**DOWNINGTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
YEAR ENDED JUNE 30, 2025**

Management's discussion and analysis (the MD&A) of Downingtown Area School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2025. 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.

FINANCIAL HIGHLIGHTS

- The total governmental funds net change in fund balance for the fiscal year ended June 30, 2025 was a decrease of \$45,351,832. This includes a \$1,838,110 decrease in the General Fund due to operating expenditures exceeding revenues, a \$46,992,639 decrease in the Capital Projects Fund primarily due to the planned use of fund balance for construction projects, and a \$3,478,917 increase in the Debt Service Fund due to investment income on sinking fund balances.
- The General Fund includes total revenue and other financing sources of \$288,838,089 less total expenses and other financing uses of \$290,676,199, which includes a \$8,337,326 transfer to the Capital Projects Fund to fund non-construction capital expenses.
- The Capital Projects Fund includes \$58,165,301 of expenses for construction projects on existing buildings and other non-construction capital expenses. These expenses were partially offset by a \$8,337,326 transfer from the General Fund, \$1,302,696 in State Grants and \$1,532,640 of investment earnings and other financing sources.
- The Debt Service Fund includes \$3,478,917 of investment earnings.
- As of June 30, 2025, the District's governmental funds reported a combined fund balance of \$74,414,240. This includes \$21,121,470 in the General Fund, \$22,255,409 in the Capital Projects Fund, and \$31,037,361 in the Debt Service Fund. The entire fund balance in the Debt Service Fund is held in an escrow account for the retirement of bonds and is not available for use by the District.
- General Fund revenues from local sources increased a total of \$6,781,551 over the prior year primarily due to a 3.90% increase in the millage rate and growth in taxable properties in the District. Investment income also contributed to the local source revenue increase due to higher interest rates compared to the prior year.
- General Fund revenue from state sources increased \$4,057,759 over the prior year. This includes a combined increase of \$1,926,475 in basic education, special education, cyber charter, and transportation subsidies. An increase in homestead credit allocation funding of \$1,054,497, and PSERS and Social Security reimbursements of \$959,559 also contributed to the overall state source increase.
- General Fund revenue from federal sources decreased \$311,146 over the prior year. This was primarily due to Elementary and Secondary School Emergency Relief relief funding ending in the prior year and not being available for 2024-2025.

**DOWNINGTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
YEAR ENDED JUNE 30, 2025**

- General Fund expenditures, excluding other financing uses, had a net increase of \$17,136,114 over the prior year primarily due to increases in employee wages, special education services, facility operating and maintenance costs, and student transportation costs. Other financing uses decreased \$2,291,712 due to a lower transfer to the Capital Projects Fund compared to the prior year.
- On a government-wide basis, including all governmental activities and business-type activities, the assets and deferred outflows of resources exceeded the liabilities and deferred inflows of resources of the District resulting in a net position of \$68,515,770 as of June 30, 2025. During the 2024-2025 fiscal year the District had a decrease in total net position of \$1,814,159. The net position of governmental activities decreased by \$2,506,563 due to operating revenue exceeding operating expenses. The net position of the business-type activities increased by \$692,404 due to the profit from the District's food service operations.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

The 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.

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 deferred outflows of resources and liabilities and deferred inflows of resources, is 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, changes in the District's property tax base should also be considered.

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.

**DOWNINGTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
YEAR ENDED JUNE 30, 2025**

Fund 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 represents 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 reported in the government-wide statements.
- **Fiduciary Funds** – The District is the trustee, or fiduciary, for assets that belong to others, such as scholarship funds or student activity funds. These assets are not reflected in the government-wide financial statements because the District cannot use these assets to finance its operations.
- **Notes to the Financial Statements** – The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.
- **Other Information** – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which consists of the budgetary comparison schedule for the General Fund, schedules of the District's proportionate share of the net pension liability-PSERS and pension plan contributions-PSERS, schedule of changes in OPEB liability single-employer plan, and the schedules of the District's proportionate share of the net OPEB liability-PSERS and OPEB plan contributions-PSERS, as well as additional analysis which consists of combining and individual fund financial statements and comparative General Fund schedules.

**DOWNINGTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
YEAR ENDED JUNE 30, 2025**

FINANCIAL ANALYSIS OF THE DISTRICT – GOVERNMENT-WIDE STATEMENTS

As noted above, net position may serve over time as a useful indicator of the District's financial condition. At the close of the 2024-2025 fiscal year, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$68,515,770. The following table presents condensed information for the Statement of Net Position of the District at June 30, 2025 and 2024.

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Assets						
Current assets	\$ 125,431,814	\$ 173,619,724	\$ 5,250,891	\$ 5,801,548	\$ 130,682,705	\$ 179,421,272
Capital assets	388,055,176	347,227,110	2,317,215	1,096,036	390,372,391	348,323,146
Total assets	513,486,990	520,846,834	7,568,106	6,897,584	521,055,096	527,744,418
Deferred outflows of resources	55,940,912	67,480,207	41,497	70,657	55,982,409	67,550,864
Liabilities						
Current liabilities	64,109,831	57,394,515	941,826	858,863	65,051,657	58,253,378
Noncurrent liabilities	429,374,015	451,546,025	261,401	392,838	429,635,416	451,938,863
Total liabilities	493,483,846	508,940,540	1,203,227	1,251,701	494,687,073	510,192,241
Deferred inflows of resources	13,828,642	14,764,524	6,020	8,588	13,834,662	14,773,112
Net position						
Net investment in capital assets	300,303,939	255,139,273	2,317,215	1,096,036	302,621,154	256,235,309
Restricted for debt service	31,037,361	27,558,444	-	-	31,037,361	27,558,444
Unrestricted (deficit)	(269,225,886)	(218,075,740)	4,083,141	4,611,916	(265,142,745)	(213,463,824)
Total net position	\$ 62,115,414	\$ 64,621,977	\$ 6,400,356	\$ 5,707,952	\$ 68,515,770	\$ 70,329,929

The District's total assets as of June 30, 2025 were \$521,055,096 of which \$84,240,960 or 16.17% consisted of unrestricted cash and investments and \$390,372,391 or 74.92% consisted of the District's capital assets, net of depreciation. The District's total liabilities as of June 30, 2025 were \$494,687,073 of which \$87,751,237 or 17.74% consisted of general obligation debt used to acquire and construct capital assets and \$314,581,752 or 63.59% consisted of the actuarially determined net pension liability.

The District had a deficit in unrestricted net position of \$265,142,745 at June 30, 2025 which is primarily due to the recognition of the District's PSERS net pension and OPEB liabilities. However, the total net position is a positive \$68,515,770 due to the District's cash balance and investment in capital assets.

The District's net position invested in capital assets net of related outstanding debt used to acquire those assets, was \$302,621,154 as of June 30, 2025. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. For the year ended June 30, 2025, the District's net investment in capital assets increased by \$46,385,845 primarily due to funding capital expenditures with other funding sources other than long-term debt.

**DOWNINGTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
YEAR ENDED JUNE 30, 2025**

The following table presents condensed information for the Statement of Activities of the District for 2025 and 2024. The increase in total expenses from 2024 to 2025 was driven primarily by increases in salary and benefit costs, special education services, facility operating and maintenance costs, and student transportation costs. The total increase in revenue from 2024 to 2025 was primarily driven by increases in property tax revenue.

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues						
Program services						
Charges for services	\$ 2,842,992	\$ 2,426,761	\$ 3,619,387	\$ 3,609,941	\$ 6,462,379	\$ 6,036,702
Operating grants and contributions	50,065,141	48,340,314	1,779,040	1,876,919	51,844,181	50,217,233
Capital grants and contributions	1,335,696	77,840	607,483	-	1,943,179	77,840
General revenues						
Property taxes	179,071,727	171,482,770	-	-	179,071,727	171,482,770
Other taxes	27,905,986	27,697,995	-	-	27,905,986	27,697,995
Grants, subsidies and contributions not restricted	25,288,767	23,534,996	-	-	25,288,767	23,534,996
Investment earnings (loss)	8,424,047	11,225,531	228,126	246,945	8,652,173	11,472,476
Miscellaneous revenue	320,855	268,340	-	-	320,855	268,340
Gain (loss) on sale of capital assets	421,786	342,808	(10,812)	103	410,974	342,911
Total revenues	<u>295,676,997</u>	<u>285,397,355</u>	<u>6,223,224</u>	<u>5,733,908</u>	<u>301,900,221</u>	<u>291,131,263</u>
Expenses						
Instruction	184,192,655	175,807,240	-	-	184,192,655	175,807,240
Instructional student support	25,597,243	26,463,134	-	-	25,597,243	26,463,134
Administrative and financial support	23,679,606	23,422,022	-	-	23,679,606	23,422,022
Operation and maintenance of plant services	21,071,953	18,862,396	-	-	21,071,953	18,862,396
Pupil transportation	16,290,973	14,408,198	-	-	16,290,973	14,408,198
Student activities	4,853,357	4,610,828	-	-	4,853,357	4,610,828
Community services	95,610	62,165	-	-	95,610	62,165
Interest and amortization expense related to noncurrent liabilities	4,847,299	4,839,969	-	-	4,847,299	4,839,969
Unallocated depreciation expense	17,343,709	15,737,231	-	-	17,343,709	15,737,231
Food services	-	-	5,741,975	5,492,511	5,741,975	5,492,511
Total expenses	<u>297,972,405</u>	<u>284,213,183</u>	<u>5,741,975</u>	<u>5,492,511</u>	<u>303,714,380</u>	<u>289,705,694</u>
Change in net position before transfers	(2,295,408)	1,184,172	481,249	241,397	(1,814,159)	1,425,569
Transfers	(211,155)	(133,804)	211,155	133,804	-	-
Change in net position	<u>\$ (2,506,563)</u>	<u>\$ 1,050,368</u>	<u>\$ 692,404</u>	<u>\$ 375,201</u>	<u>\$ (1,814,159)</u>	<u>\$ 1,425,569</u>

**DOWNINGTOWN AREA SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS – UNAUDITED
YEAR ENDED JUNE 30, 2025**

FINANCIAL ANALYSIS OF THE DISTRICT – GOVERNMENTAL FUNDS

GENERAL FUND

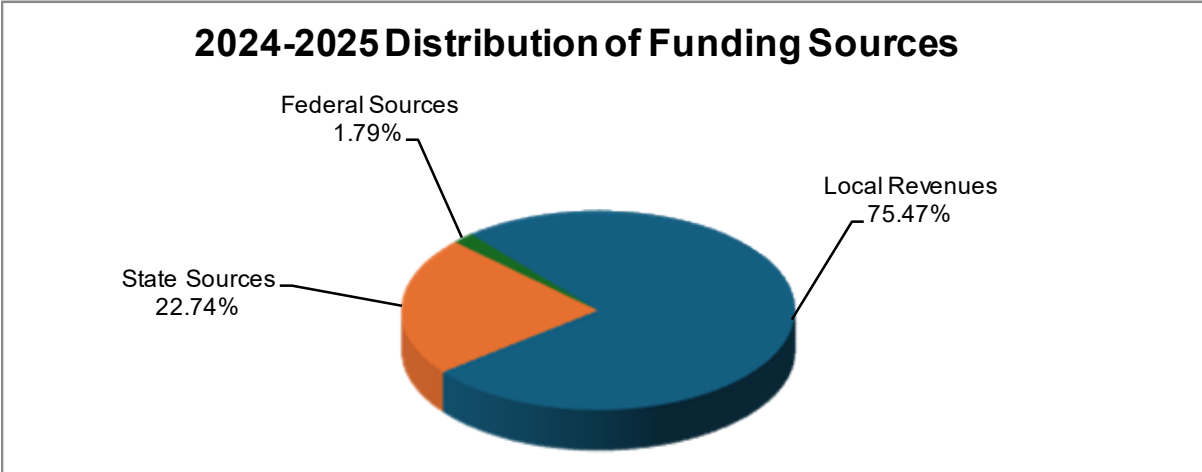
The General Fund is the District’s primary operating fund. At the conclusion of the 2024-2025 fiscal year, the General Fund fund balance was \$21,121,470 representing a decrease of \$1,838,110 from the prior year. The decrease in the District’s General Fund fund balance is a result of revenues over expenditures of \$6,185,305, reduced by other net financing uses of \$8,023,415, primarily for transfers to the Capital Projects Fund. The following analysis has been provided to assist the reader in understanding the financial activities of the General Fund during the 2024-2025 fiscal year.

At June 30, 2025, the District reported an unassigned fund balance of \$20,910,378. The unassigned fund balance represents about 6.96% of the 2025-2026 General Fund budgeted expenditures which is in accordance with guidelines prescribed by the Pennsylvania Department of Education.

General Fund Revenues

General Fund revenues, which totaled \$288,313,023, increased \$10,528,164 or 3.79% over prior year revenues. The following table reflects a comparison of current year revenues to prior year revenues and 2024-2025 budgeted amounts as follows:

	<u>Revenue 2025</u>	<u>% of Total</u>	<u>Increase (Decrease) From 2024</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Local sources	\$ 217,587,963	75.47%	\$ 6,781,551	\$ (1,361,250)
State sources	65,571,417	22.74%	4,057,759	1,468,217
Federal sources	5,153,643	1.79%	(311,146)	1,866,966
Total revenues	<u>\$ 288,313,023</u>	<u>100.00%</u>	<u>\$ 10,528,164</u>	<u>\$ 1,973,933</u>



**DOWNINGTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
YEAR ENDED JUNE 30, 2025**

Revenue from local sources primarily includes revenue from real estate taxes levied by the District. The increase in current real estate taxes was \$6,853,735 over the prior year, primarily due to a 3.90% increase in the real estate tax millage rate plus growth in new assessed property values in the District. All other local revenue sources combined slightly offset the current real estate tax increase by \$72,184. The state source revenue increase over the prior year is primarily due to a combined increase of \$1,926,475 in basic education, special education, cyber chart, and transportation. An increase in homestead credit allocation funding of \$1,054,497 and PSERS and social security reimbursements of \$959,559 also contributed to the overall state source increase. Federal source revenue decreased due to ESSER relief funding ending in the prior year and not being available for 2024-2025.

Local source revenue was lower than budget due to lower than budgeted property tax revenue from lower than anticipated assessment growth. State source revenue was favorable compared to budget due to higher than expected state funding for basic and special education. The Federal revenue was favorable compared to budget due to higher special education Medical ACCESS reimbursements than anticipated.

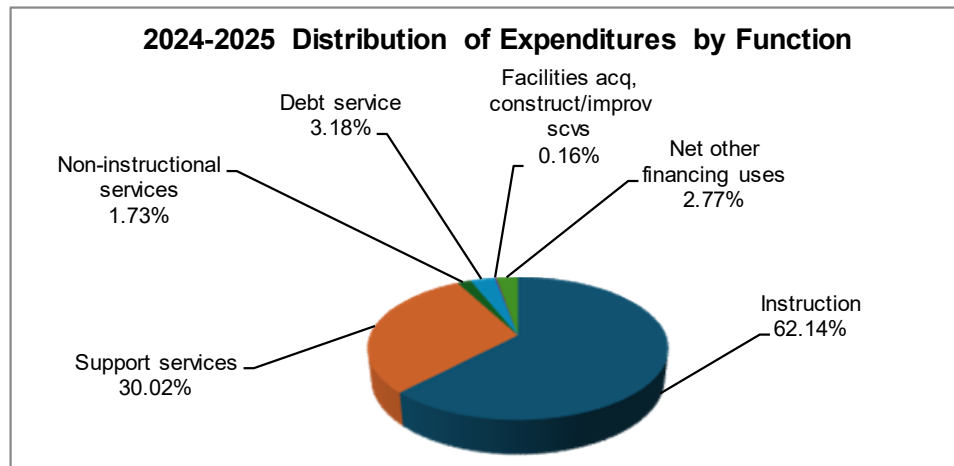
General Fund Expenditures and Other Financing Uses

General Fund expenditures including net other financing uses, which totaled \$290,151,133, increased \$14,844,402 over the 2023-2024 expenditures primarily due to higher salary and benefit costs, along with increased contracted costs for special education, transportation and maintenance. These increases also caused total expenditures including net other financing uses to be greater than the budget by \$3,390,607.

The expenditures are segregated into the functional categories shown in the chart below. The expenditures for each function are compared to the prior year expenditures, and the 2024-2025 final budget amounts as follows:

	Expenditures 2025	% of Total	Increase (Decrease) From 2024	Variance with Final Budget - Positive (Negative)
Instruction	\$ 180,302,192	62.14%	\$ 10,264,411	\$ (6,397,345)
Support services	87,112,008	30.02%	6,258,885	(4,976,796)
Noninstructional services	5,021,133	1.73%	477,272	(101,652)
Facilities acq, construct/improv scvs	471,328	0.16%	206,712	33,672
Debt service	9,221,057	3.18%	(71,166)	640,621
Net other financing uses	8,023,415	2.77%	(2,291,712)	7,410,893
Total expenditures	<u>\$ 290,151,133</u>	<u>100.00%</u>	<u>\$ 14,844,402</u>	<u>\$ (3,390,607)</u>

**DOWNINGTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
YEAR ENDED JUNE 30, 2025**



The increase in the instruction, support services, and noninstructional services expenses over the prior year is primarily due to increases in employee salary and benefit costs, special education services, facility operating and maintenance costs, and student transportation costs. The decrease in net other financing uses compared to the prior year is primarily due to a decrease in the amount transferred out of the General Fund into the Capital Projects Fund.

Compared to the budget, instruction and support service expenditures were higher primarily due to higher than anticipated health care costs, special education costs, and transportation contractor costs. Debt service was less than budget due to interest earned on sinking fund deposits which offset debt service payments. Net other financing uses was less than budget due to lower than planned transfers to the Capital Projects Fund.

CAPITAL PROJECTS FUND

The Capital Projects Fund accounts for construction and renovation costs for District buildings, facility improvement projects, and equipment purchases to support technology and curriculum. During 2024-2025, the total amount of expenditures for these items was \$58,165,301, and the primary funding source for these expenditures was transfers from the General Fund totaling \$8,337,326 along with state capital grants of \$1,302,696 and interest income of \$1,504,683. At June 30, 2025, the District reported a fund balance of \$22,255,409, which is a decrease over the prior year of \$46,992,639 due to the District using the fund balance for renovation construction projects at Beaver Creek and West Bradford elementary schools. The total Capital Projects Fund fund balance as of June 30, 2025 is committed for future capital expenditures.

DEBT SERVICE FUND

The Debt Service Fund accounts for funds restricted for the payment of a portion of the District's debt service on outstanding bonds. During 2024-2025, the Debt Service Fund fund balance increased by \$3,478,917 due to investment earnings of \$3,478,917. At June 30, 2025, the Debt Service Fund reported a fund balance of \$31,037,361, all of which the District has paid into an escrow account held for the future retirement of its Qualified School Construction Bonds.

**DOWNINGTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
YEAR ENDED JUNE 30, 2025**

CAPITAL ASSETS

The District's net investment in capital assets for its governmental and business-type activities as of June 30, 2025 amounted to \$390,372,391 net of accumulated depreciation. This investment in capital assets includes land, land improvements, buildings and improvements, furniture and equipment and right-to-use subscription assets. The total increase in the District's investment in capital assets, net of accumulated depreciation, for the current fiscal year was \$42,049,245 or 12.07%. The increase was primarily due to capital additions in excess of depreciation expense, including construction in progress for Beaver Creek and West Bradford elementary schools.

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

LONG-TERM DEBT AND NONCURRENT LIABILITIES

At the end of the current fiscal year, the District had total general obligation debt of \$87,751,237 consisting of \$45,080,000 in bonds payable, \$40,069,000 in qualified school construction bonds and bond premiums \$2,602,237. The entire amount is backed by the full faith and credit of the District. The District issues bonds to finance capital construction or to finance the retirement (refund) of existing debt. There are no unspent proceeds remaining from the outstanding bonds. The District's general obligation debt decreased by a net amount of \$4,336,600 or 4.71% during the fiscal year primarily due to principal payments on the bonds.

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

State statutes limit the amount of general obligation debt the District may issue up to 225% of its borrowing base capacity which is calculated as the annual arithmetic average of the total revenues for the preceding three fiscal years. The District's outstanding general obligation debt as of June 30, 2025 is under the District's current debt limitation of \$617,558,024.

The District reports its allocated portion of its defined benefit unfunded benefit obligation related to its participation in PSERS. The District's allocated portion of the net pension liability totaled \$314,581,752 as of June 30, 2025. This is an actuarially determined estimate of the District's proportionate share of the unfunded cost of the PSERS pension plan obligation. The District's net pension liability allocation decreased by \$19,822,366 or 5.93% during the fiscal year based on the actuarially determined estimate.

The District reports a liability for its other post-employment benefits ("OPEB") related to its single employer OPEB plan and its participation in the PSERS health insurance premium assistance program. The District's net OPEB liability is an actuarially determined estimate of the unfunded cost of the OPEB obligation which totaled \$16,548,975 for the single employer plan as of June 30, 2025, and \$13,373,183 for the allocated portion of the PSERS OPEB liability. The District's combined net OPEB liability increased by \$3,027,095 or 11.26% during the fiscal year based on the actuarially determined estimate.

Other noncurrent liabilities includes the District's liability for compensated absences which totaled \$11,870,022 as of June 30, 2025, and increased by \$8,947,400 or 306.14% during the fiscal year.

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

**DOWNINGTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
YEAR ENDED JUNE 30, 2025**

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District will continue to invest in renovations to its school buildings over the next several years. The East and West high school renovations were completed in August 2024, and the Beaver Creek and West Bradford elementary school renovations are scheduled to be completed in the fall of 2025. These high school and elementary school projects cost about \$125 million combined and were funded with existing fund balance. The District plans to borrow money in the future to fund additional facility renovation and improvements throughout the District.
- The District's bus contractors' costs have significantly increased due to the need for higher driver wages and higher insurance costs. The District will likely incur significantly higher transportation costs as the contractor rates will need to increase to cover their increased costs.
- The District's 2025-2026 budget is \$300,269,158 and includes a 3.90% tax increase. The District anticipates tax increases will need to continue in future years to enable revenues to fund expenditure growth.
- The Pennsylvania law known as Act 1 provides property tax relief for property owners. As part of this legislation, a limit is placed on the real estate tax rate percentage increase that can be levied by the District each year. The percentage limit is known as the Act 1 index. The Act 1 index for 2025-2026 is 4.00% and 3.50% for 2026-2027.
- Increases in the level of state funding that the District will receive in future years is uncertain and is influenced by the political decisions and economic climate influencing the state budget.
- The District's contributions to PSERS will continue to be significant over the next several years. PSERS has certified and projected the following future percentages of employee salaries that the District will need to fund:

2025-2026	34.00% (certified)
2026-2027	33.59% (certified)
2027-2028	34.12% (projected)
2028-2029	34.63% (projected)
2029-2030	35.17% (projected)

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

- District will continue to practice prudent fiscal management practices to ensure sufficient funding for its operations and capital spending.

**DOWNINGTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
YEAR ENDED JUNE 30, 2025**

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

DOWNINGTOWN AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2025
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2024)

	Governmental Activities	Business-Type Activities	Totals	
			2025	2024
ASSETS				
Current Assets				
Cash	\$ 71,190,067	\$ 5,006,893	\$ 76,196,960	\$ 127,232,637
Investments	8,044,000	-	8,044,000	8,509,000
Restricted Assets :				
Cash Held by Fiscal Agent	10,451	-	10,451	16,549
Investments Held by Fiscal Agent	31,026,910	-	31,026,910	27,541,895
Taxes Receivable	2,855,051	-	2,855,051	2,405,369
Due from Other Governments	11,117,712	-	11,117,712	11,461,029
Internal Balances	(231,721)	231,721	-	-
Other Receivables	1,208,252	11,102	1,219,354	1,796,621
Prepaid Expenses	211,092	-	211,092	453,855
Inventories	-	1,175	1,175	4,317
Total Current Assets	125,431,814	5,250,891	130,682,705	179,421,272
Noncurrent Assets				
Capital Assets, Net	313,092,277	2,317,215	315,409,492	256,603,887
Nondepreciable Capital Assets	74,962,899	-	74,962,899	91,719,259
Total Noncurrent Assets	388,055,176	2,317,215	390,372,391	348,323,146
Total Assets	513,486,990	7,568,106	521,055,096	527,744,418
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Charges OPEB - Single Employer	3,815,291	-	3,815,291	1,904,259
Deferred Charges on Proportionate Share of OPEB - PSERS	2,656,871	1,833	2,658,704	3,803,749
Deferred Charges on Proportionate Share of Pension - PSERS	49,468,750	39,664	49,508,414	61,842,856
Total Deferred Outflows of Resources	55,940,912	41,497	55,982,409	67,550,864
LIABILITIES				
Current Liabilities				
Accounts Payable	10,936,716	474,307	11,411,023	16,143,726
Accrued Salaries, Payroll Withholdings, and Benefits	37,721,773	-	37,721,773	36,149,634
Accrued Interest Payable	755,800	-	755,800	792,958
Bonds and Notes Payable - Due Within One Year	4,102,885	-	4,102,885	4,370,777
Compensated Absences, Current Portion	9,712,485	-	9,712,485	-
OPEB Liability - Single Employer, Current Portion	674,383	-	674,383	-
Unearned Revenue	205,789	467,519	673,308	796,283
Total Current Liabilities	64,109,831	941,826	65,051,657	58,253,378
Noncurrent Liabilities				
Bonds and Notes Payable - Due in More than One Year	83,648,352	-	83,648,352	87,717,060
Compensated Absences	2,156,868	669	2,157,537	2,922,622
OPEB Liability - Single Employer	15,874,592	-	15,874,592	13,266,164
Net OPEB Liability - PSERS	13,362,551	10,632	13,373,183	13,628,899
Net Pension Liability - PSERS	314,331,652	250,100	314,581,752	334,404,118
Total Noncurrent Liabilities	429,374,015	261,401	429,635,416	451,938,863
Total Liabilities	493,483,846	1,203,227	494,687,073	510,192,241
DEFERRED INFLOWS OF RESOURCES				
Deferred Credits OPEB - Single Employer	6,261,662	-	6,261,662	6,793,112
Deferred Credits on Proportionate Share of OPEB - PSERS	2,592,937	2,063	2,595,000	3,401,000
Deferred Credits on Proportionate Share of Pension - PSERS	4,974,043	3,957	4,978,000	4,579,000
Total Deferred Inflows of Resources	13,828,642	6,020	13,834,662	14,773,112
NET POSITION				
Net Investment in Capital Assets	300,303,939	2,317,215	302,621,154	256,235,309
Restricted for Debt Service	31,037,361	-	31,037,361	27,558,444
Unrestricted (Deficit)	(269,225,886)	4,083,141	(265,142,745)	(213,463,824)
Total Net Position	\$ 62,115,414	\$ 6,400,356	\$ 68,515,770	\$ 70,329,929

See accompanying Notes to Basic Financial Statements.

DOWNINGTOWN AREA SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2024)

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals	
							2025	2024
Primary Government:								
Governmental Activities:								
Instruction	\$ 184,192,655	\$ 41,400	\$ 33,320,542	\$ 33,000	\$ (150,797,713)	\$ -	\$ (150,797,713)	\$ (143,772,600)
Instructional Student Support	25,597,243	-	3,048,118	-	(22,549,125)	-	(22,549,125)	(23,387,019)
Administrative and Financial Support Services	23,679,606	-	2,313,900	-	(21,365,706)	-	(21,365,706)	(21,092,835)
Operation and Maintenance of Plant Services	21,071,953	543,205	1,805,724	1,302,696	(17,420,328)	-	(17,420,328)	(16,667,612)
Pupil Transportation	16,290,973	-	4,150,919	-	(12,140,054)	-	(12,140,054)	(10,523,777)
Student Activities	4,853,357	2,258,387	435,564	-	(2,159,406)	-	(2,159,406)	(2,292,037)
Community Services	95,610	-	-	-	(95,610)	-	(95,610)	(62,165)
Interest and Amortization Expense Related to Noncurrent Liabilities	4,847,299	-	4,990,374	-	143,075	-	143,075	167,008
Unallocated Depreciation	17,343,709	-	-	-	(17,343,709)	-	(17,343,709)	(15,737,231)
Total Governmental Activities	297,972,405	2,842,992	50,065,141	1,335,696	(243,728,576)	-	(243,728,576)	(233,368,268)
Business-Type Activities:								
Food Service	5,741,975	3,619,387	1,779,040	607,483	-	263,935	263,935	(5,651)
Total Primary Government	<u>\$ 303,714,380</u>	<u>\$ 6,462,379</u>	<u>\$ 51,844,181</u>	<u>\$ 1,943,179</u>	(243,728,576)	263,935	(243,464,641)	(233,373,919)
General Revenues								
Taxes:								
Property Taxes Levied for General Purposes					179,071,727	-	179,071,727	171,482,770
Other Taxes Levied for General Purposes					27,905,986	-	27,905,986	27,697,995
Grants and Entitlements not Restricted to Specific Programs					25,288,767	-	25,288,767	23,534,996
Investment Earnings (Loss)					8,424,047	228,126	8,652,173	11,472,476
Miscellaneous Income					320,855	-	320,855	268,340
Gain (Loss) on Sale of Capital Assets					421,786	(10,812)	410,974	342,911
Transfers					(211,155)	211,155	-	-
Total General Revenues and Transfers					<u>241,222,013</u>	<u>428,469</u>	<u>241,650,482</u>	<u>234,799,488</u>
CHANGE IN NET POSITION					(2,506,563)	692,404	(1,814,159)	1,425,569
Net Position - Beginning of Year					<u>64,621,977</u>	<u>5,707,952</u>	<u>70,329,929</u>	<u>68,904,360</u>
NET POSITION - END OF YEAR					<u>\$ 62,115,414</u>	<u>\$ 6,400,356</u>	<u>\$ 68,515,770</u>	<u>\$ 70,329,929</u>

See accompanying Notes to Basic Financial Statements.

DOWNINGTOWN AREA SCHOOL DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2025
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2024)

	Major Funds			Totals	
	General	Capital	Debt		
	Fund	Projects	Service	2025	2024
ASSETS					
Cash	\$ 55,405,458	\$ 15,784,609	\$ -	\$ 71,190,067	\$ 121,774,306
Investments	7,339,000	705,000	-	8,044,000	8,509,000
Restricted Assets:					
Cash Held by Fiscal Agent	-	-	10,451	10,451	16,549
Investments Held by Fiscal Agent	-	-	31,026,910	31,026,910	27,541,895
Taxes Receivable	2,855,051	-	-	2,855,051	2,405,369
Due from Other Funds	359	8,792,222	-	8,792,581	10,534,877
Due from Other Governments	10,269,912	847,800	-	11,117,712	11,461,029
Other Receivables	1,180,295	27,957	-	1,208,252	1,781,280
Prepaid Items	211,092	-	-	211,092	283,576
Total Assets	<u>\$ 77,261,167</u>	<u>\$ 26,157,588</u>	<u>\$ 31,037,361</u>	<u>\$ 134,456,116</u>	<u>\$ 184,307,881</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 7,034,537	\$ 3,902,179	\$ -	\$ 10,936,716	\$ 15,898,150
Due to Other Funds	9,024,302	-	-	9,024,302	10,688,157
Accrued Salaries, Payroll					
Withholdings, and Benefits	37,721,773	-	-	37,721,773	36,149,634
Unearned Revenue	205,789	-	-	205,789	182,996
Total Liabilities	<u>53,986,401</u>	<u>3,902,179</u>	<u>-</u>	<u>57,888,580</u>	<u>62,918,937</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenues - Property					
Taxes	<u>2,153,296</u>	<u>-</u>	<u>-</u>	<u>2,153,296</u>	<u>1,622,872</u>
FUND BALANCES					
Nonspendable:					
Prepaid Expenditures	211,092	-	-	211,092	283,576
Restricted:					
Debt Service	-	-	31,037,361	31,037,361	27,558,444
Committed:					
Capital Projects	-	22,255,409	-	22,255,409	69,248,048
Unassigned:	<u>20,910,378</u>	<u>-</u>	<u>-</u>	<u>20,910,378</u>	<u>22,676,004</u>
Total Fund Balances	<u>21,121,470</u>	<u>22,255,409</u>	<u>31,037,361</u>	<u>74,414,240</u>	<u>119,766,072</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 77,261,167</u>	<u>\$ 26,157,588</u>	<u>\$ 31,037,361</u>	<u>\$ 134,456,116</u>	<u>\$ 184,307,881</u>

See accompanying Notes to Basic Financial Statements.

**DOWNINGTOWN AREA SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO NET POSITION
OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION
YEAR ENDED JUNE 30, 2025**

Total Fund Balance - Governmental Funds	\$	74,414,240
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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 in the governmental funds balance sheet.

Capital assets	\$ 600,836,299	
Accumulated depreciation	<u>(212,781,123)</u>	388,055,176

Deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits are not reported as assets and liabilities in the governmental funds balance sheet.

Deferred outflows of resources - pension and OPEB	55,940,912	
Deferred inflows of resources - pension and OPEB	<u>(13,828,642)</u>	42,112,270

Some of the District's property taxes will be collected after year-end but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred inflows of resources on the governmental funds balance sheet.

2,153,296

Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds balance sheet.

Bonds and notes payable	(87,751,237)	
Compensated absences	(11,869,353)	
OPEB liability - single-employer	(16,548,975)	
Net OPEB liability - PSERS	(13,362,551)	
Net pension liability - PSERS	<u>(314,331,652)</u>	(443,863,768)

Accrued interest payable on long-term liabilities is included in the statement of net position, but is excluded from the governmental funds balance sheet until due and payable.

(755,800)

Net Position of Governmental Activities	\$	<u><u>62,115,414</u></u>
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See accompanying Notes to Basic Financial Statements.

DOWNINGTOWN AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2025
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2024)

	Major Funds			Totals	
	General	Capital	Debt	2025	2024
	Fund	Projects	Service		
		Fund	Fund		
REVENUES					
Local Sources	\$ 217,587,963	\$ 1,504,683	\$ 3,478,917	\$ 222,571,563	\$ 218,032,524
State Sources	65,571,417	1,302,696	-	66,874,113	61,513,658
Federal Sources	5,153,643	-	-	5,153,643	5,464,789
Total Revenues	288,313,023	2,807,379	3,478,917	294,599,319	285,010,971
EXPENDITURES					
Current					
Instruction	180,302,192	6,279,416	-	186,581,608	176,347,945
Support Services	87,112,008	602,702	-	87,714,710	81,706,183
Operation of Noninstructional Services	5,021,133	99,186	-	5,120,319	4,612,268
Facilities Acquisition, Construction, and Improvement Services	471,328	51,183,997	-	51,655,325	58,332,071
Debt Service	9,221,057	-	-	9,221,057	9,292,223
Total Expenditures	282,127,718	58,165,301	-	340,293,019	330,290,690
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	6,185,305	(55,357,922)	3,478,917	(45,693,700)	(45,279,719)
OTHER FINANCING SOURCES (USES)					
Sale of/Compensation for Capital Assets	427,555	-	-	427,555	342,808
Refund of Prior Year Expenditures	74,712	27,957	-	102,669	36,457
Insurance Recoveries	22,799	-	-	22,799	7,333
Transfers In	-	8,337,326	-	8,337,326	10,531,464
Transfers Out	(8,548,481)	-	-	(8,548,481)	(10,665,268)
Total Other Financing Sources (Uses)	(8,023,415)	8,365,283	-	341,868	252,794
NET CHANGE IN FUND BALANCES	(1,838,110)	(46,992,639)	3,478,917	(45,351,832)	(45,026,925)
Fund Balances - Beginning of Year	22,959,580	69,248,048	27,558,444	119,766,072	164,792,997
FUND BALANCES - END OF YEAR	<u>\$ 21,121,470</u>	<u>\$ 22,255,409</u>	<u>\$ 31,037,361</u>	<u>\$ 74,414,240</u>	<u>\$ 119,766,072</u>

See accompanying Notes to Basic Financial Statements.

DOWNINGTOWN AREA SCHOOL DISTRICT
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO CHANGE IN NET POSITION OF
GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025

Net Change in Fund Balance - Governmental Funds \$ (45,351,832)

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 the
estimated useful lives and reported as depreciation expense. This is the
amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures	\$ 58,177,544	
Net book value of disposed capital assets	(5,769)	
Depreciation expense	<u>(17,343,709)</u>	40,828,066

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

Deferred inflows of resources June 30, 2024	(1,622,872)	
Deferred inflows of resources June 30, 2025	<u>2,153,296</u>	530,424

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

Repayment of bonds payable	4,068,708	
Amortization of bond premiums and discounts	<u>267,892</u>	4,336,600

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

Current year change in accrued interest payable	37,158	
Current year change in compensated absences	(8,964,972)	
Current year change in net pension liability - PSERS and deferred outflows and inflows	7,005,024	
Current year change in OPEB liability - single-employer and deferred outflows and inflows	(840,329)	
Current year change in net OPEB liability - PSERS and deferred outflows and inflows	<u>(86,702)</u>	<u>(2,849,821)</u>

Change in Net Position of Governmental Activities		<u><u>\$ (2,506,563)</u></u>
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See accompanying Notes to Basic Financial Statements.

DOWNINGTOWN AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION – PROPRIETARY FUND
JUNE 30, 2025
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2024)

	Major Fund	
	Food Service Fund	
	2025	2024
ASSETS		
CURRENT ASSETS		
Cash	\$ 5,006,893	\$ 5,458,331
Due from Other Funds	232,080	156,693
Other Receivables	11,102	15,341
Prepaid Expenses	-	170,279
Inventories	1,175	4,317
Total Current Assets	5,251,250	5,804,961
NONCURRENT ASSETS		
Capital Assets, Net	2,317,215	1,096,036
Total Assets	7,568,465	6,900,997
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Proportionate Share of Pension - PSERS	39,664	66,563
Deferred Charges on Proportionate Share of OPEB - PSERS	1,833	4,094
Total Deferred Outflows of Resources	41,497	70,657
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	474,307	245,576
Due to Other Funds	359	3,413
Unearned Revenue	467,519	613,287
Total Current Liabilities	942,185	862,276
NONCURRENT LIABILITIES		
Accrued Compensated Absences	669	18,241
Net OPEB Liability - PSERS	10,632	14,669
Net Pension Liability - PSERS	250,100	359,928
Total Noncurrent Liabilities	261,401	392,838
Total Liabilities	1,203,586	1,255,114
DEFERRED INFLOWS OF RESOURCES		
Deferred Credits on Proportionate Share of Pension - PSERS	3,957	4,928
Deferred Credits on Proportionate Share of OPEB - PSERS	2,063	3,660
Total Deferred Inflows of Resources	6,020	8,588
NET POSITION		
Net Investment in Capital Assets	2,317,215	1,096,036
Unrestricted	4,083,141	4,611,916
Total Net Position	\$ 6,400,356	\$ 5,707,952

See accompanying Notes to Basic Financial Statements.

DOWNINGTOWN AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION –
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2025
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2024)

	Major Fund	
	Food Service Fund	
	2025	2024
OPERATING REVENUES		
Food Service Revenue	\$ 3,619,387	\$ 3,609,941
OPERATING EXPENSES		
Salaries	100,620	112,702
Employee Benefits	27,306	124,493
Purchased Services - Food Management	2,696,607	2,454,061
Purchased Property Services	20,787	38,887
Other Purchased Services	62,035	46,876
Supplies - Food Costs	2,475,439	2,451,102
Depreciation	272,918	179,309
Dues and Fees	86,263	85,081
Total Operating Expenses	5,741,975	5,492,511
OPERATING INCOME (LOSS)	(2,122,588)	(1,882,570)
NONOPERATING REVENUES		
Earnings on Investments	228,126	246,945
Gain (Loss) on Sale of Capital assets	(10,812)	103
State Sources	457,448	449,172
Federal Sources	1,321,592	1,427,747
Total Nonoperating Revenues	1,996,354	2,123,967
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	(126,234)	241,397
TRANSFERS AND CAPITAL CONTRIBUTIONS		
Capital Contribution	607,483	-
Transfers In	211,155	133,804
CHANGE IN NET POSITION	692,404	375,201
Net Position - Beginning of Year	5,707,952	5,332,751
NET POSITION - END OF YEAR	\$ 6,400,356	\$ 5,707,952

See accompanying Notes to Basic Financial Statements.

DOWNINGTOWN AREA SCHOOL DISTRICT
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
YEAR ENDED JUNE 30, 2025
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2024)

	Major Fund	
	Food Service Fund	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Food Service Revenue	\$ 3,615,565	\$ 3,612,539
Cash Payments to Employees for Services	(232,771)	(228,148)
Cash Payments to Suppliers for Goods and Services	(4,938,819)	(5,092,834)
Cash Payments for Other Operating Expenses	(86,263)	(85,081)
Net Cash Used by Operating Activities	(1,642,288)	(1,793,524)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Sources	457,448	449,172
Federal Sources	814,762	1,103,687
Transfers In	211,155	1,900
Net Cash Provided by Noncapital Financing Activities	1,483,365	1,554,759
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Sale of Capital Assets	-	103
Acquisition of Capital Assets	(520,641)	(232,666)
Net Cash Used by Capital and Related Financing Activities	(520,641)	(232,563)
CASH FLOWS FROM INVESTING ACTIVITIES		
Earnings on Investments	228,126	246,945
Proceed from (Purchase of) Investments	-	1,297,766
Net Cash Provided by Investing Activities	228,126	1,544,711
NET CHANGE IN CASH	(451,438)	1,073,383
Cash - Beginning of Year	5,458,331	4,384,948
CASH - END OF YEAR	<u>\$ 5,006,893</u>	<u>\$ 5,458,331</u>

See accompanying Notes to Basic Financial Statements.

DOWNINGTOWN AREA SCHOOL DISTRICT
STATEMENT OF CASH FLOWS – PROPRIETARY FUND (CONTINUED)
YEAR ENDED JUNE 30, 2025
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2024)

	Major Fund	
	Food Service Fund	
	2025	2024
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Loss	\$ (2,122,588)	\$ (1,882,570)
Adjustments to Reconcile Operating Loss to Net Cash		
Used by Operating Activities:		
Depreciation	272,918	179,309
Donated Commodities Used	369,123	364,995
(Increase) Decrease in:		
Due from Other Funds	(75,387)	(1,087)
Other Receivables	4,239	(3,388)
Inventories	3,142	(2,852)
Deferred Outflows of Resources	29,160	10,094
Increase (Decrease) in:		
Accounts Payable	22,225	(463,569)
Due to Other Funds	(3,054)	605
Unearned Revenue	(8,061)	5,986
Accrued Compensated Absences	(17,572)	1,073
Net OPEB Liability	(4,037)	(127)
Net Pension Liability	(109,828)	3,238
Deferred Inflows of Resources	(2,568)	(5,231)
Net Cash Used by Operating Activities	<u>\$ (1,642,288)</u>	<u>\$ (1,793,524)</u>
SUPPLEMENTAL DISCLOSURES OF NONCASH FINANCING ACTIVITIES		
Noncash Noncapital Financing Activity		
USDA Donated Commodities	<u>\$ 369,123</u>	<u>\$ 364,995</u>
Noncash Capital and Related Financing Activity		
Capital Contribution	<u>\$ 607,483</u>	<u>\$ -</u>
Acquisition of Capital Assets in Accounts Payable	<u>\$ 211,155</u>	<u>\$ -</u>

See accompanying Notes to Basic Financial Statements.

DOWNINGTOWN AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION – FIDUCIARY FUNDS
JUNE 30, 2025
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2024)

	Custodial Funds	
	2025	2024
ASSETS		
Cash	\$ 708,196	\$ 693,797
LIABILITIES		
Accounts Payable	-	3,167
NET POSITION		
Restricted for:		
Scholarships	29,888	28,956
Student Activities	678,308	661,674
Total Fiduciary Net Position	\$ 708,196	\$ 690,630

See accompanying Notes to Basic Financial Statements.

DOWNINGTOWN AREA SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION – FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2025
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2024)

	Custodial Funds	
	2025	2024
ADDITIONS:		
Receipts from Student Groups	\$ 1,538,545	\$ 1,396,039
Local Contributions	4,842	11,189
Total Additions	1,543,387	1,407,228
DEDUCTIONS:		
Scholarships Awarded and Fees Paid	3,910	3,500
Student Activity Disbursements	1,521,911	1,317,852
Total Deductions	1,525,821	1,321,352
CHANGE IN FIDUCIARY NET POSITION	17,566	85,876
Total Fiduciary Net Position - Beginning of Year	690,630	604,754
TOTAL FIDUCIARY NET POSITION - END OF YEAR	<u>\$ 708,196</u>	<u>\$ 690,630</u>

See accompanying Notes to Basic Financial Statements.

**DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 1 ORGANIZATION AND PURPOSE

The Downingtown Area School District (the District) operates 10 elementary schools, 3 middle schools, and 3 high schools to provide education and related services to the residents of the Borough of Downingtown and the Townships of East Brandywine, East Cain, Upper Uwchlan, Uwchlan, Wallace, West Bradford, and West Pikeland. The District operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provisions of the School Laws of Pennsylvania as a school district of the third class. The District operates under a locally elected nine-member board form of government (the School Board).

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

GASB has established the criteria for determining the activities, organizations, and functions of government to be included in the financial statements of the reporting entity. In evaluating the District as a reporting entity, management has addressed all potential component units which may or may not fall within the District's accountability. The criteria used to evaluate component units for possible inclusion as part of the District's reporting entity are financial accountability and the nature and significance of the relationship. The District is considered to be an independent reporting entity and has no component units.

Basis of Presentation – Government-Wide Financial Statements

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

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

**DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation – Government-Wide Financial Statements (Continued)

The government-wide statement of net position presents the financial position of the District which is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources and is classified in one of three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowing attributable to acquiring, constructing or improving those assets. The net position of the District is reported as restricted when constraints placed on net position use is either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Unrestricted net position is the net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

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

The government-wide statement of activities presents a comparison between expenses and program revenues for each function of the business-type activities of the District and for each governmental function. Expenses are those that are specifically associated with a service or program and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each function is self-financing or draws from the general revenues of the District.

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

Basis of Presentation – Fund Financial Statements

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

**DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation – Fund Financial Statements (Continued)

Governmental Funds

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

The District reports the following major governmental funds:

General Fund

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

Capital Projects Fund

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

Debt Service Fund

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

Revenue Recognition

In applying the "susceptible to accrual concept" under the modified accrual basis, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Deferred inflows of resources are reported in connection with receivables for tax revenues that are not considered to be available to liquidate liabilities of the current period. Revenue from federal, state, and other grants designated for payment of specific District expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as unearned revenues until earned. Other receipts are recorded as revenue when received in cash because they are generally not measurable until actually received.

**DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation – Fund Financial Statements (Continued)

Expenditure Recognition

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

Proprietary Funds

Like the government-wide financial statements, proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when they are earned and expenses are recognized when they are incurred. Allocations of certain costs, such as depreciation, are recorded in proprietary funds. The District reports the following proprietary funds:

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

These funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the District's proprietary fund are charges for services. Operating expenses for the District's proprietary fund include payroll, employee benefits, supplies and administrative costs. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary Funds

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

**DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments are stated at fair value based upon quoted market prices, except for certificates of deposit which are recorded at cost and external investment pools which are recorded at amortized cost, both of which approximate fair value.

Fair Value Measurements of Assets and Liabilities

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

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

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

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

Interfund Receivables and Payables

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

**DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes

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

July 1 – August 31	Discount period, 2% of gross levy
September 1 – October 31	Face period
November 1 to Collection	Penalty period, 10% of gross levy
January 15	Lien date

The County Board of Assessments determines assessed valuations of property and the District's taxes are billed and collected by a third-party tax collector. The tax on real estate for public school purposes for fiscal 2024-2025 was 30.7110 mills (\$30.711 for \$1,000 of assessed valuation) for Chester County. The District experiences very small losses from uncollectible property taxes. Property taxes constitute a lien against real property and usually can be collected in full when title transfers. Only balances that remain after tax sales are written off each year. Accordingly, an allowance for doubtful accounts has not been established by the District for property taxes receivable.

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

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

The discount (2%) is not applicable to installment payments; however, the penalty (10%) will be added if the second, third, and fourth installments are paid subsequent to the due dates.

Prepaid Items and Inventories

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

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

Unearned Revenues

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

DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

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

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

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

Property, plant, and equipment (net of salvage value) of the District is depreciated using the straight-line method over the following estimated useful lives:

Buildings and Improvements	15 to 50 Years
Land Improvements	15 to 40 Years
Furniture and Equipment	5 to 20 Years

Leases and Subscriptions

The District has entered into noncancellable leases and subscriptions. The District recognizes a lease or a subscription liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements.

At the commencement of an agreement, the District initially measures the lease or subscription liability at the present value of payments expected to be made during the lease or subscription term. Subsequently, the lease and subscription liability is reduced by the principal portion of lease payments made. The lease and subscription asset is initially measured as the initial amount of the lease or subscription liability, adjusted for lease or subscription payments made at or before the lease commencement date, plus certain initial costs. Subsequently, the lease or subscription asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments include how the District determines (1) the discount rate it used to discount the expected lease or subscription payments to present value, (2) lease term, and (3) lease payments.

The District uses its estimated incremental borrowing rate as the discount rate for leases and subscriptions.

**DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases and Subscriptions (Continued)

The lease or subscription term includes the noncancellable period of the lease or subscription. Lease and subscription payments included in the measurement of the lease or subscription liability is comprised of fixed payments.

The District monitors changes in circumstances that would require a remeasurement of its leases or subscriptions, and will remeasure the lease or subscription liability if certain changes occur that are expected to significantly affect the amount of the liabilities.

Impairment of Long-Lived Assets

The District evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances is outside the normal life cycle of the capital asset. If a capital asset is considered to be impaired, the amount of impairment is measured by the method that most reflects the decline in service utility of the capital asset at the lower of carrying value or fair value for impaired capital assets that will no longer be used by the District. No impairment losses were recognized in the year ended June 30, 2025.

Compensated Absences

District policies permit employees to accumulate earned but unused vacation, personal, and sick days. The liability for compensated absences reported in the government-wide and proprietary fund statements consists of leave that has not been used that is attributable to services already rendered, accumulates and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The liability also includes amounts for leave that has been used for time off but has not yet been paid in cash or settled through noncash means and certain other types of leave.

Long-Term Obligations

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

**DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pension

The District contributes to the Public School Employees Retirement System (PSERS), a cost-sharing, multiemployer defined benefit pension plan. GASB establishes standards for the measurement, recognition, and display of pension expense and related liabilities, deferred outflows and deferred inflows of resources related to pension, certain required supplementary information, and note disclosures.

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

Other Postemployment Benefits (OPEB)

The District's OPEB plans are accounted for under the provisions of GASB establishes standards for the measurement, recognition, and display of OPEB expense and related liabilities, deferred outflows and deferred inflows of resources related to other postemployment benefits, certain required supplementary information, and note disclosures. The District provides OPEB under the following two plans:

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

District OPEB Plan – The District sponsors a single-employer defined benefit OPEB plan. For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms. The District OPEB plan is unfunded.

DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows for Pension and OPEB

Deferred outflows of resources for pension relate to the District's net pension liability and pension expense and arise from changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, differences between employer contributions and the proportionate share of total contributions reported by the pension plan, or changes in the internal allocation of the net pension liability between governmental and business-type activities or funds. These amounts are deferred and amortized over either a closed five-year period or the average remaining service life of all employees depending on what gave rise to the deferred outflow. Also included in deferred outflows of resources are contributions made to the pension plan subsequent to the measurement date and prior to the District's year-end. The contributions will be recognized as a reduction in net pension liability in the following year.

Deferred outflows of resources for other OPEB liabilities relate to the District's liability for OPEB other than pensions and related expenses and arise from the changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, differences between employer contributions and the proportionate share of total contributions reported by the plan, or changes in the internal allocation of the net OPEB liability between governmental and business-type activities or funds. These amounts are deferred and amortized over either a closed five-year period or the average remaining service life of all employees depending on what gave rise to the deferred outflow. Also included in deferred outflows of resource are contributions or OPEB payments made subsequent to the measurement date and prior to the District's year end. These payments will be recognized as a reduction to the net other postemployment benefit liability in the following year.

Deferred Inflows for Pension and OPEB

Deferred inflows of resources for pension relate to the District's net pension liability and pension expense and arise from changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, differences between employer contributions and the proportionate share of total contributions reported by the pension plan, or changes in the internal allocation of the net pension liability between governmental and business-type activities or funds. These amounts are deferred and amortized over either a closed five-year period or the average remaining service life of all employees depending on what gave rise to the deferred inflow.

DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows for Pension and OPEB (Continued)

Deferred inflows of resources for OPEB liabilities relate to the District's liability for OPEB other than pensions and related expenses and arise from the changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, differences between employer contributions and the proportionate share of total contributions reported by the plan, or changes in the internal allocation of the net OPEB liability between governmental and business-type activities or funds. These amounts are deferred and amortized over either a closed five-year period or the average remaining service life of all employees depending on what gave rise to the deferred inflow.

Fund Equity

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

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

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

Restricted Fund Balance – Consists of amounts that can be spent only for specific purposes because of constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – Consists of amounts that can only be used for specific purposes determined by a formal action of the District's highest level of decision-making authority, the School Board. Committed amounts cannot be used for any other purpose unless the School Board removes those constraints by taking the same type of formal action.

DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity (Continued)

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

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

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

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

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation. However, presentation of prior year totals by fund and activity type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the District's financial statements for the year ended June 30, 2024, from which the summarized information was derived.

Use of Estimates

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

**DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Implementation of New Accounting Pronouncements

Effective July 1, 2024, the District adopted the provisions of GASB Statement No. 101, *Compensated Absences* and GASB Statement No. 102, *Certain Risk Disclosures*.

The objective of GASB Statement No 101 is to update the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. GASB Statement No. 101 will require that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The implementation of GASB Statement No. 101 impacted how the District measured its compensated absences in the government-wide financial statements of the District for the year ended June 30, 2025. The implementation of GASB Statement No. 101 increased liabilities and expenses in the entity-wide financial statements of the District for the year ended June 30, 2025.

The objective of GASB Statement No. 102 is to improve financial reporting by providing users of financial statements with essential information that currently is not often provided. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to substantial impact. As a result, users have better information with which to understand and anticipate certain risks to a government's financial condition. The Implementation of GASB Statement No. 102 had no impact on the financial statements of the District for the year ended June 30, 2025.

New Accounting Pronouncements

GASB Statement No. 103, *Financial Reporting Model Improvements*, will be effective for the District for the year ended June 30, 2026. The objective of GASB Statement No. 103 is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, will be effective for the District for the year ended June 30, 2026. The objective of GASB Statement No. 104 is to improve financial reporting by providing users of financial statements with essential information about certain types of capital assets in order to make informed decisions and assess accountability. Additionally, the disclosure requirements will improve consistency and comparability between governments.

**DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements (Continued)

GASB Statement No. 105, *Subsequent Events*, will be effective for the District for the year ended June 30, 2027. The objective of GASB Statement No. 105 is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users

NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

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

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

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

Legal budgetary control is maintained at the sub-function/major object level. The School Board may make transfers of funds appropriated in any particular item of expenditure by legislative action in accordance with Pennsylvania School Code. Management may amend the budget at the sub-function/sub-object level without approval from the School Board. Appropriations lapse at the end of the fiscal period.

Expenditures in Excess of Appropriations

During the year ended June 30, 2025, the District had expenditures in excess of appropriations in the following functions:

Regular Programs	\$ 2,965,779
Special Programs	3,726,264
Vocational Programs	1,129
Instructional Staff Services	1,208,528
Pupil Health	676,604
Business Services	123,784
Operation and Maintenance of Plant Services	2,308,761
Student Transportation Services	1,888,639
Other Support Services	176,845
Student Activities	96,071
Community Services	5,581
Total	<u><u>\$ 13,177,985</u></u>

**DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 4 DEPOSITS AND INVESTMENTS

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

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At June 30, 2025, the carrying amount of the District's deposits was \$76,915,607 and the bank balance was \$77,325,872. The District is required by state statute to deposit funds in depositories that are either banks, banking institutions, or trust companies located in the Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States, Commonwealth of Pennsylvania or any political subdivision. Under Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit. Of the bank balance, \$1,015,073 was covered by federal depository insurance, and \$17,868,486 was collateralized by the District's depositories in accordance with Act 72 and the collateral was held by the depositories' agent in pooled public funds. The remaining cash deposits of the District are in the Pennsylvania School District Liquid Asset Fund (PSDLAF). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PSDLAF acts like a money market mutual fund in that its objective is to maintain a stable net asset value of \$1 per share and is rated by a nationally recognized statistical rating organization and is subject to an independent annual audit. As of June 30, 2025, PSDLAF was rated as AAA by a nationally recognized statistical rating agency.

Investments

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

As of June 30, 2025, the District had the following investments:

Investment Type	Fair Value	Investment Maturities (In Years)	
		Less than 1	1 - 5
Investments Held at Fair Value			
U.S. Treasury Strips	\$ 31,026,910	\$ -	\$ 31,026,910
Investments Held at Amortized Cost			
Certificates of Deposit	8,044,000		
Total Investments	\$ 39,070,910		

**DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 4 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

U.S. Treasury securities were valued using Level 2 inputs.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral that is in the possession of an outside party. The collateral for all of the District's investments are held by the pledging bank's agent in the District's name. The District had no investments subject to custodial credit risk as of June 30, 2025.

Interest Rate Risk

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

Credit Risk

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

Restricted Deposits and Investments

The District maintains restricted cash and investment balances held by fiscal agents, which are restricted for the repayment of Qualified School Construction Bonds (see Note 8). The total carrying amounts and related bank balances of these cash and investment accounts are \$31,037,361 as of June 30, 2025, which are invested in U.S. Treasury securities.

NOTE 5 PROPERTY TAXES

Taxes receivable consisted of the following as of June 30, 2025:

Real Estate Taxes	\$ 2,321,495
Real Estate Transfer Taxes	433,278
Earned Income Taxes	99,212
Local Services Tax	1,066
Total	<u>\$ 2,855,051</u>

**DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 5 PROPERTY TAXES (CONTINUED)

A detailed analysis of current year property tax revenues for the year ended June 30, 2025 is as follows:

Assessed Value, July 1, 2024	\$ 6,051,873,755
Millage Rate	<u>30.7110</u>
Gross Property Tax Levy	185,859,095
Add:	
Penalties Paid	289,331
Less:	
Discounts	(3,278,130)
Assessment Changes and Exonerations	(630,725)
Property Tax Relief Allocation	(5,825,176)
Taxes Uncollected at December 31, 2024 and Liened	<u>(2,562,005)</u>
Total	<u><u>\$ 173,852,390</u></u>

NOTE 6 INTERNAL RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2025 is as follows:

Receivable To	Amount	Payable From	Amount
Capital Projects Fund	\$ 8,792,222	General Fund	\$ 8,792,222
Food Service Fund	232,080	General Fund	232,080
General Fund	359	Food Service Fund	359
Total	<u><u>\$ 9,024,661</u></u>	Total	<u><u>\$ 9,024,661</u></u>

Interfund balances between funds represent amounts owed by one fund to another fund at year-end.

A summary of interfund transfers for the year ended June 30, 2025, is as follows:

Transfers In	Amount	Transfers Out	Amount
Capital Projects Fund	\$ 8,337,326	General Fund	\$ 8,337,326
Food Service Fund	211,155	General Fund	211,155
Total	<u><u>\$ 8,548,481</u></u>	Total	<u><u>\$ 8,548,481</u></u>

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

DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 7 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2025, was as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ 60,089,265	\$ 58,602,205	\$ 75,518,887	\$ 43,172,583
Land	31,629,994	160,322	-	31,790,316
Total Capital Assets, Not Being Depreciated	91,719,259	58,762,527	75,518,887	74,962,899
Capital Assets, Being Depreciated and Amortized:				
Buildings and Improvements	398,819,511	65,024,145	538,258	463,305,398
Land Improvements	20,293,063	385,867	648,729	20,030,201
Right-to-Use Subscription Assets	1,236,285	120,626	297,900	1,059,011
Furniture and Equipment	38,635,645	9,403,266	6,560,121	41,478,790
Total Capital Assets, Being Depreciated and Amortized	458,984,504	74,933,904	8,045,008	525,873,400
Less: Accumulated Depreciation and Amortization:				
Buildings and Improvements	(164,432,281)	(10,410,985)	(538,259)	(174,305,007)
Land Improvements	(17,747,463)	(346,907)	(642,960)	(17,451,410)
Right-to-Use Subscription Assets	(449,494)	(278,025)	(297,900)	(429,619)
Furniture and Equipment	(20,847,415)	(6,307,792)	(6,560,120)	(20,595,087)
Total Accumulated Depreciation and Amortization	(203,476,653)	(17,343,709)	(8,039,239)	(212,781,123)
Total Capital Assets Being Depreciated and Amortized, Net	255,507,851	57,590,195	5,769	313,092,277
Total Governmental Activities Capital Assets, Net	<u>\$ 347,227,110</u>	<u>\$ 116,192,400</u>	<u>\$ 75,524,656</u>	<u>\$ 388,055,176</u>
Business-Type Activities:				
Capital Assets, Being Depreciated:				
Machinery and Equipment	\$ 3,661,754	\$ 1,504,909	\$ 219,632	\$ 4,947,031
Less: Accumulated Depreciation:				
Machinery and Equipment	(2,565,718)	(272,918)	(208,820)	(2,629,816)
Total Capital Assets, Being Depreciated	1,096,036	1,231,991	10,812	2,338,839
Total Business-Type Activities Capital Assets, Net	<u>\$ 1,096,036</u>	<u>\$ 1,231,991</u>	<u>\$ 10,812</u>	<u>\$ 2,317,215</u>

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

Governmental Activities	
Unallocated	<u>\$ 17,343,709</u>
Business-Type Activities	
Food Service	<u>\$ 272,918</u>

As of June 30, 2025, the District had outstanding construction commitments totaling \$13,444,936 for various renovations to District buildings.

**DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 8 LONG-TERM DEBT

General Obligation Debt

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

General obligation debt outstanding as of June 30, 2025, consisted of the following:

Description	Original Issue Amount	Interest Rate(s)	Final Maturity	Outstanding End of Year
General Obligation Bonds				
Series of 2017	\$ 16,910,000	0.75% - 5.00%	11/01/2029	\$ 11,675,000
Series of 2018A	\$ 14,635,000	2.00% - 5.00%	08/01/2029	7,550,000
Series of 2018C	\$ 26,655,000	2.00% - 5.00%	08/01/2032	25,855,000
Total General Obligation Bonds				45,080,000
Qualified School Construction Bonds				
Series of 2010A	\$ 28,303,000	5.00%	09/15/2027	28,303,000
Series of 2011C	\$ 11,766,000	5.088%	09/15/2029	11,766,000
Total Qualified School Construction Bonds				40,069,000
Total General Obligation Debt				<u>\$ 85,149,000</u>

Qualified School Construction Bonds

The District participates in the Qualified School Construction Bonds (QSCB) program sponsored by the State Public School Building Authority (SPSBA). The SPSBA was formed by the Commonwealth of Pennsylvania for the purpose of financing the construction and improvement of public school facilities under the jurisdiction of the Pennsylvania Department of Education. The QSCB program was created by the American Recovery and Reinvestment Act (ARRA) and allows schools to borrow at nominal or zero percent to fund new construction, renovation, and rehabilitation of schools, as well as the purchase of land and equipment. The SPSBA issues the bonds through the QSCB program and provides loans to schools for qualified projects.

**DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 8 LONG-TERM DEBT (CONTINUED)

Qualified School Construction Bonds (Continued)

the QSCB program SPSBA receives direct interest subsidy payments from the United States Treasury which are then transferred to the borrowers as reimbursement of the interest portion of their loan payments. On October 6, 2010, the District borrowed \$28,303,000 from the SPSBA under the QSCB program. The District is required to deposit \$1,664,882 annually into a sinking fund through the maturity date of September 15, 2027. On November 1, 2011, the District borrowed \$11,766,000 from the SPSBA under the QSCB program. The District is required to deposit \$734,750 annually into a sinking fund through the maturity date of September 15, 2029. Sinking fund deposits are included as restricted assets held by fiscal agent in the accompanying financial statements and total \$31,037,361 at June 30, 2025.

The following summarizes the changes in general obligation debt for the year ended June 30, 2025:

	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025	Amount Due Within One Year
Governmental Activities					
General Obligation Bonds					
Series of 2017	\$ 13,785,000	\$ -	\$ 2,110,000	\$ 11,675,000	\$ 2,180,000
Series of 2018A	8,785,000	-	1,235,000	7,550,000	1,300,000
Series of 2018C	25,860,000	-	5,000	25,855,000	5,000
Qualified School Construction					
Bonds					
Series of 2010A	28,303,000	-	-	28,303,000	-
Series of 2011C	11,766,000	-	-	11,766,000	-
Subtotal	88,499,000	-	3,350,000	85,149,000	3,485,000
Bond Premiums	3,631,977	-	1,029,740	2,602,237	617,885
Bond Discounts	(43,140)	-	(43,140)	-	-
Total General Obligation Debt	<u>\$ 92,087,837</u>	<u>\$ -</u>	<u>\$ 4,336,600</u>	<u>\$ 87,751,237</u>	<u>\$ 4,102,885</u>

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

Year Ending June 30,	Principal Maturities	Interest Maturities	Debt Sinking Fund	Total
2026	\$ 3,485,000	\$ 2,118,240	\$ 2,399,632	\$ 8,002,872
2027	3,655,000	1,945,840	2,399,632	8,000,472
2028	32,158,000	1,745,808	(25,903,568)	8,000,240
2029	5,765,000	1,505,025	734,750	8,004,775
2030	17,791,000	1,243,850	(11,031,250)	8,003,600
2031-2033	22,295,000	1,709,125	-	24,004,125
Total	<u>\$ 85,149,000</u>	<u>\$ 10,267,888</u>	<u>\$ (31,400,804)</u>	<u>\$ 64,016,084</u>

**DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 8 LONG-TERM DEBT (CONTINUED)

Qualified School Construction Bonds (Continued)

Interest maturities presented are net of the direct interest subsidy payments from the United States Treasury to reimburse interest expense on the District's Series of 2010A and 2011C QSCB bonds. The amount of the subsidy is estimated at \$1,965,689 each year for 2025 through 2027, \$1,282,172 for 2028, and a total of \$897,981 for 2029-2030.

NOTE 9 NONCURRENT LIABILITIES

The following summarizes the changes in noncurrent liabilities for the year ended June 30, 2025:

	Balance July 1, 2024	Increases	Decreases	Balance June 30, 2025	Amount Due in One Year
Governmental Activities					
Total General Obligation Debt	\$ 92,087,837	\$ -	\$ 4,336,600	\$ 87,751,237	\$ 4,102,885
Compensated Absences	2,904,381	8,964,972	-	11,869,353	9,712,485
OPEB Liability	13,266,164	3,282,811	-	16,548,975	674,383
Net OPEB Liability - PSERS	13,614,230	-	251,679	13,362,551	-
Net Pension Liability - PSERS	334,044,190	-	19,712,538	314,331,652	-
Total Governmental Activities	455,916,802	12,247,783	24,300,817	443,863,768	14,489,753
Business-Type Activities					
Compensated Absences	18,241	-	17,572	669	-
Net OPEB Liability - PSERS	14,669	-	4,037	10,632	-
Net pension Liability - PSERS	359,928	-	109,828	250,100	-
Total Business-Type Activities	392,838	-	131,437	261,401	-
Total Noncurrent Liabilities	\$ 456,309,640	\$ 12,247,783	\$ 24,432,254	\$ 444,125,169	\$ 14,489,753

Non-current liabilities of governmental activities are generally liquidated by the General Fund, while noncurrent liabilities of the business-type activities are liquidated by the Food Service Fund.

The change in the compensated absence liability is presented as a net change.

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS

Single-Employer Defined Benefit OPEB Plan

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

**DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

OPEB Plan Membership

Membership in the OPEB plan consisted of the following at July 1, 2024:

Active Employees	1,601
Vested Former Participants	-
Retired Participants	46
Total	<u>1,647</u>

Funding Policy

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

OPEB Liability

The District's OPEB liability has been measured as of June 30, 2025. The total OPEB liability was determined by an actuarial valuation as of July 1, 2024, and by rolling forward the liabilities from the July 1, 2024 actuarial valuation through the measurement date. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. The OPEB liability is \$16,458,975, all of which is unfunded. As of June 30, 2025, the OPEB liability of 16,458,975 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position.

The District's change in its OPEB liability for the year ended June 30, 2025, was as follows:

Balances as of July 1, 2024	\$ 13,266,164
Changes for the Year:	
Service Cost	905,418
Interest on Total OPEB Liability	571,606
Changes of Benefit Terms	321,662
Differences Between Projected and Actual Experience	2,125,071
Changes in Assumptions	(29,464)
Benefit Payments	(611,482)
Net Change in OPEB Liability	<u>3,282,811</u>
Balances as of June 30, 2025	<u>\$ 16,548,975</u>

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

For the year ended June 30, 2025, the District recognized OPEB expense of \$1,514,712. At June 30, 2025, the District had deferred inflows of resources and deferred outflows of resources related to the OPEB plan from the following sources:

**DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 1,973,280	\$ 2,409,140
Changes of Assumptions	1,167,628	3,852,522
Contributions Subsequent to the Measurement Date	674,383	-
Total	<u>\$ 3,815,291</u>	<u>\$ 6,261,662</u>

The amount of \$674,383 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows for the year ending June 30, 2025:

<u>Year Ending June 30,</u>	<u>Amount</u>
2026	\$ (283,974)
2027	(283,974)
2028	(283,974)
2029	(283,974)
2030	(283,974)
Thereafter	(1,700,884)
Total	<u>\$ (3,120,754)</u>

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

The following presents the OPEB liability for June 30, 2025, calculated using current healthcare cost trends as well as what the OPEB liability would be if health cost trends were 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease Healthcare Cost Trend Rate	Current Healthcare Cost	1% Increase Healthcare Cost Trend Rate
OPEB Liability	<u>\$ 14,641,160</u>	<u>\$ 16,548,975</u>	<u>\$ 18,798,447</u>

Sensitivity of the OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District calculated using the discount rate of 4.29%, as well as what the OPEB liability would be if it were calculated using the discount rate that is 1 percentage point lower (3.29%) or 1 percentage point higher (4.29%) than the current rate:

	1% Decrease in Discount Rate 3.29%	Current Discount Rate 4.29%	1% Increase in Discount Rate 5.29%
OPEB Liability	<u>\$ 17,921,079</u>	<u>\$ 16,548,975</u>	<u>\$ 15,259,261</u>

**DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Significant Assumptions

The OPEB liability as of June 30, 2025, was determined by rolling forward the OPEB liability as of July 1, 2024 to June 30, 2025, using the following actuarial assumptions applied to all periods included in the measurement:

- Actuarial cost method – entry age normal
- Discount rate – 4.29% – Standard and Poor’s 20-year municipal bond rate. The discount rate changed from 4.13% to 4.29%.
- Salary growth – salary increases are composed of 2.50% cost-of-living adjustment, 1.50% for real wage growth, and 0.00% to 2.75% for merit or seniority increases.
- Assumed healthcare cost trends – 7.00% in 2024 with 0.50% decrease per year until 5.50% in 2027. Rates gradually decrease from 5.40% in 2028 4.0% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- Mortality rates were based on a PubT-2010 headcount-weighted mortality table for contingent survivors for teachers and PubG-2010 headcount-weighted mortality table for contingent survivors for all other employees
- Change in benefit terms – effective July 1, 2024 Spouses of group 3 and 4 Administrators can now receive subsidized coverage and receive coverage as long as the member does. Group 3 and 4 Administrators now receive a life insurance policy with a face value of 2.5 time the members salary at retirement. Administrators are now required to reach 10 years of district service and either PSERS Superannuation, age 55 with 25 years of PSERS service, or 35 years of PSERS service to receive subsidized coverage. Confidential employees hired prior to July 1, 2024 can receive reimbursements for coverage through the PSERS group plan for up to 5 years regardless of their age. Confidential employees hired on or after July 1, 2024 are only eligible for Act 110/43.

Cost-Sharing Multiple-Employer Defined Benefit OPEB Plan

Plan Description

PSERS provides health insurance premium assistance which is a governmental cost-sharing, multiple-employer OPEB plan for all eligible retirees who qualify and elect to participate. Employer contribution rates for health insurance premium assistance are established to provide reserves in the health insurance account that are sufficient for the payment of health insurance premium assistance benefits for each succeeding year.

**DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Plan Description (Continued)

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

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age

Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' health options program. As of June 30, 2024, there were no assumed future benefit increases to participating eligible retirees.

Employer Contributions

The District's contractually required contribution rate for the fiscal year ended June 30, 2025 was 0.63% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$768,704 for the year ended June 30, 2025.

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

At June 30, 2025, the District reported a liability of \$13,373,183 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward PSERS' total OPEB liability as of June 30, 2023 to June 30, 2024. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2025, the District's proportion was 0.7528%, which was a decrease of 0.0005 from its proportion measured as of June 30, 2024. As of June 30, 2025, the net OPEB liability of \$13,362,551 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position and the remaining \$10,632 of the net OPEB liability is recorded as a liability in the proprietary fund statement of net position, and in the business-type activities in the government-wide statement of net position.

**DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

For the year ended June 30, 2025, the District recognized OPEB expense of \$774,000. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Projected and Actual Experience	\$ 51,000	\$ 201,000
Changes of Assumptions	815,000	2,042,000
Net Difference Between Projected and Actual Investment		
Earnings	14,000	-
Changes in Proportions	992,000	352,000
Contributions Subsequent to the Measurement Date	786,704	-
Total	<u>\$ 2,658,704</u>	<u>\$ 2,595,000</u>

The amount of \$786,704 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows for the years ended June 30:

<u>Year Ending December 31,</u>	<u>Amount</u>
2026	\$ (285,000)
2027	(2,000)
2028	(346,000)
2029	(47,000)
2030	(43,000)
Total	<u>\$ (723,000)</u>

Actuarial Assumptions

The OPEB liability as of June 30, 2024, was determined by rolling forward the PSERS' OPEB liability as of June 30, 2023 to June 30, 2024 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – entry age normal – level % of pay
- Investment return – 4.21% - Standard & Poor's 20-year municipal bond rate
- Salary growth – Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Premium assistance reimbursement is capped at \$1,200 per year.
- Assumed healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 retiree tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 improvement scale.

**DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Assumptions (Continued)

Participation rate:

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

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial experience study that was performed for the five-year period June 30, 2020.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2022 determined the employer contribution rate for fiscal year 2024.
- Cost method – amount necessary to assure solvency of premium assistance through the third fiscal year after the valuation date.
- Asset valuation method: market value.
- Participation rate: The actual data for retirees benefiting under the Plan as of June 30, 2021, was used in lieu of the 63% utilization assumption for eligible retirees.
- Mortality tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 mortality improvement scale.

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

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

	<u>OPEB - Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash		100.00%	1.70%

The above was the School Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2024.

**DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Discount Rate

The discount rate used to measure the OPEB liability was 4.21%. Under the OPEB plan's funding policy, contributions are structured for short term funding of health insurance premium assistance. The funding policy sets contribution rates necessary to assure solvency of health insurance premium assistance through the third fiscal year after the actuarial valuation date. The health insurance premium assistance account is funded to establish reserves that are sufficient for the payment of health insurance premium assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the OPEB plan is considered a "pay-as-you-go" plan. A discount rate of 4.21%, which represents the Standard & Poor's 20-year municipal bond rate at June 30, 2024, was applied to all projected benefit payments to measure the total OPEB liability.

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual health insurance premium assistance. As of June 30, 2024, retirees health insurance premium assistance benefits are not subject to future healthcare cost increases. The healthcare insurance premium assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on healthcare cost trends as depicted below. As of June 30, 2024, 489 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on healthcare cost trends as depicted below.

The following presents the net OPEB liability for June 30, 2024, calculated using current healthcare cost trends as well as what net OPEB liability would be if health cost trends were 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease Healthcare Cost Trend Rate	Current Healthcare Cost	1% Increase Healthcare Cost Trend Rate
	<u>Trend Rate</u>	<u>Healthcare Cost</u>	<u>Trend Rate</u>
District's Proportionate Share of the Net OPEB Liability	<u>\$ 13,372,001</u>	<u>\$ 13,373,183</u>	<u>\$ 13,374,139</u>

**DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

The following presents the net OPEB liability, calculated using the discount rate of 4.21%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.21%) or 1 percentage-point higher (5.21%) than the current rate:

	1% Decrease Discount Rate 3.21%	Current Discount Rate 4.21%	1% Increase Discount Rate 5.21%
District's Proportionate Share of the Net OPEB Liability	<u>\$ 15,107,635</u>	<u>\$ 13,373,183</u>	<u>\$ 11,920,663</u>

OPEB Plan Fiduciary Net Position

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

NOTE 11 PENSION PLAN

Plan Description

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

**DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 11 PENSION PLAN (CONTINUED)

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service.

Act 5 of 2017 (Act 5) introduced a hybrid benefit with two membership classes and a separate defined contribution plan for individuals who become new members on or after July 1, 2019. Act 5 created two new hybrid membership classes, Membership Class T-G (Class T-G) and Membership Class T-H (Class T-H) and the separate defined contribution membership class, Membership Class DC (Class DC). To qualify for normal retirement, Class T-G and Class T-H members must work until age 67 with a minimum of 3 years of credited service. Class T-G may also qualify for normal retirement by attaining a total combination of age and service that is equal to or greater than 97 with a minimum of 35 years of credited service.

Benefits are generally between 1.00% to 2.50%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after 10 years of service.

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

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members) or who has at least 5 years of credited service (10 years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

**DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 11 PENSION PLAN (CONTINUED)

Contributions

Member Contributions

The contribution rates based on qualified member compensation for virtually all members are presented below:

Member Contribution Rates				
Membership Class	Continuous Employment Since	Defined Benefit (DB) Contribution Rate	DC Contribution Rate	Total Contribution Rate
T-C	Prior to July 22, 1983	5.25 %	N/A	5.25 %
				6.25 %
T-C	On or after July 22, 1983	6.25 %	N/A	6.25 %
T-D	Prior to July 22, 1983	6.50 %	N/A	6.50 %
T-D	On or after July 22, 1983	7.50 %	N/A	7.50 %
T-E	On or after July 1, 2011	7.50% base rate with shared risk provision	N/A	Prior to 7/1/21: 7.50%
				After 7/1/21: 8.00%
T-F	On or after July 1, 2011	10.30% base rate with shared risk provision	N/A	Prior to 7/1/21: 10.30%
				After 7/1/21: 10.80%
T-G	On or after July 1, 2019	5.50% base rate with shared risk provision	2.75 %	Prior to 7/1/21: 8.25%
				After 7/1/21: 9.00%
T-H	On or after July 1, 2019	4.50% base rate with shared risk provision	3.00 %	Prior to 7/1/21: 7.50%
				After 7/1/21: 8.25%
DC	On or after July 1, 2019	N/A	7.50 %	7.50 %

Membership Class	Defined Benefit DB Base Rate	Shared Risk Increment	Minimum	Maximum
T-E	7.50 %	+/- 0.50%	5.50 %	9.50 %
T-F	10.30 %	+/- 0.50%	8.30 %	12.30 %
T-G	5.50 %	+/- 0.75%	2.50 %	8.50 %
T-H	4.50 %	+/- 0.75%	1.50 %	7.50 %

Employer Contributions

The District's contractually required contribution rate for fiscal year ended June 30, 2023 was 32.92% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$41,108,414 for the year ended June 30, 2025.

**DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 11 PENSION PLAN (CONTINUED)

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

At June 30, 2025, the District reported a liability of \$314,581,752 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by rolling forward PSERS' total pension liability as of June 30, 2023 to June 30, 2024. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2025, the District's proportion was 0.7516%, which was a decrease of 0.0001 from its proportion measured as of June 30, 2024.

As of June 30, 2025, the net pension liability of \$314,581,752 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position and the remaining \$250,100 of the net pension liability is recorded as a liability in the proprietary fund statement of net position, and in the business-type activities in the government-wide statement of net position.

For the year ended June 30, 2025, the District recognized pension expense of \$34,053,000. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ -	\$ 4,946,000
Net Difference Between Projected and Actual Investment		
Earnings	5,208,000	-
Changes in Proportions	3,192,000	32,000
Contributions Subsequent to the Measurement Date	41,108,414	-
Total	<u>\$ 49,508,414</u>	<u>\$ 4,978,000</u>

The amount of \$41,108,414 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the year ended June 30:

<u>Year Ending December 31,</u>	<u>Amount</u>
2026	\$ (5,861,000)
2027	8,961,000
2028	1,376,000
2029	(1,054,000)
Total	<u>\$ 3,422,000</u>

**DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 11 PENSION PLAN (CONTINUED)

- **Actuarial Assumptions**
- The total pension liability as of June 30, 2024 was determined by rolling forward PSERS's total pension liability at the June 30, 2023 actuarial valuation to June 30, 2024 using the following actuarial assumptions, applied to all periods included in the measurement:
 - Valuation date – June 30, 2023
 - Actuarial cost method – entry age normal – level % of pay
 - Investment return – 7.00%, includes inflation at 2.50%
 - Salary growth – Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
 - Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 retiree tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 improvement scale.
 - The discount rate used to measure the total pension liability was 7.00% as of June 30, 2023 and as of June 30, 2024.
 - Demographic and economic assumptions approved by the School Board for use effective with the June 30, 2021 actuarial valuation:
 - Salary growth rate – decreased from 5.00% to 4.50%.
 - Wage growth and merit or seniority increases (components for salary growth) – decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.
 - Mortality rates – Previously based on the RP-2014 mortality tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 mortality improvement scale. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 retiree tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 improvement scale.

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial valuation experience study that was performed for the five year period ending June 30, 2020.

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

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

**DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 11 PENSION PLAN (CONTINUED)

Actuarial Assumptions (Continued)

	Target Allocation	Long-Term Expected Real Rate of Return
Global Public Equity	30.00 %	4.80 %
Private Equity	12.00	6.70
Fixed Income	33.50	3.90
Commodities	5.00	2.50
Infrastructure/MLPs	10.00	6.40
Real Estate	9.50	5.90
Total	<u>100.00 %</u>	

The above was the School Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2024.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following represents the net pension liability, calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate:

	1% Decrease Discount Rate 6.00%	Current Discount Rate 7.00%	1% Increase Discount Rate 8.00%
District's Proportionate Share of the Net Pension Liability	<u>\$ 414,400,072</u>	<u>\$ 314,581,752</u>	<u>\$ 230,292,247</u>

Pension Plan Fiduciary Net Position

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

**DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 12 JOINTLY-GOVERNED ORGANIZATIONS

Technical College High School Brandywine

The District and two other Chester County school districts participate in the Technical College High School Brandywine Campus (TCHS Brandywine). The TCHS Brandywine provides vocational-technical training and education to students of the participating school districts. The TCHS Brandywine is controlled by a joint board comprised of representative school board members of the participating school districts. District oversight of the TCHS Brandywine operations is the responsibility of the joint board. The District's share of operating costs for the TCHS Brandywine fluctuates based on the District's percentage of enrollment. The District's share of operating costs for 2024-2025 was \$3,609,309.

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

Chester County Intermediate Unit

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

NOTE 13 CONTINGENCIES AND COMMITMENTS

Government Grants and Awards

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

Litigation

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

**DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 14 RISK MANAGEMENT

Other Risks

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance. For insured programs, there were no significant reductions in insurance coverages during the 2024-2025 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Healthcare

The District administers a self-insurance program to provide healthcare and related expenses for eligible employees, spouses and their dependents. Accordingly, benefit payments plus an administrative charge are made to a third-party administrator, who approves and processes all claims. The District has recorded a liability in the General Fund that includes an estimate for claims incurred but not reported through June 30, 2025 as estimated by the District's third-party administrator and healthcare benefit consultant.

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

	2025	2024
Insurance Claims Liability - Beginning of Year	\$ 5,963,845	\$ 5,648,096
Current Year Insurance Claims and Changes in Estimates	24,329,265	23,049,344
Insurance Claims Paid	(24,333,748)	(22,733,595)
Insurance Claims Liability - End of Year	<u>\$ 5,959,362</u>	<u>\$ 5,963,845</u>

Workers' Compensation

The District and other participating Pennsylvania school districts and educational agencies participate in the School District Insurance Consortium (SDIC), which is a voluntary trust. The District and the other participating members pay premiums to SDIC for the purpose of seeking prevention or lessening of claims due to injuries of employees of the participating members and pooling workers' compensation and occupational disease insurance risks, reserves claims and losses, and providing self-insurance and reinsurance thereof. It is the intent of the participating members of SDIC that the SDIC will utilize funds contributed by the participating members, which shall be held in trust by SDIC, to provide self-insurance and reimbursements to the members for their obligations to pay compensation as required under the Workers' Compensation Act and the Pennsylvania Occupational Disease Act and to purchase excess and aggregate insurance. As of June 30, 2025, the District is not aware of any additional assessments relating to SDIC.

REQUIRED SUPPLEMENTARY INFORMATION

**DOWNINGTOWN AREA SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
YEAR ENDED JUNE 30, 2025**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local Sources	\$ 218,949,213	\$ 218,949,213	\$ 217,587,963	\$ (1,361,250)
State Sources	64,103,200	64,103,200	65,571,417	1,468,217
Federal Sources	1,425,000	3,286,677	5,153,643	1,866,966
Total Revenues	284,477,413	286,339,090	288,313,023	1,973,933
EXPENDITURES				
Instruction				
Regular Programs	117,810,438	119,378,236	122,344,015	(2,965,779)
Special Programs	42,439,590	44,516,462	48,242,726	(3,726,264)
Vocational Programs	8,233,715	8,235,715	8,236,844	(1,129)
Other Instructional Programs	1,762,434	1,762,434	1,473,631	288,803
Nonpublic School Programs	12,000	12,000	4,976	7,024
Total Instruction	170,258,177	173,904,847	180,302,192	(6,397,345)
Support Services				
Pupil Support Services	12,488,145	12,488,145	12,422,669	65,476
Instructional Staff Services	8,634,246	8,631,626	9,840,154	(1,208,528)
Administrative Services	15,521,043	15,523,613	14,371,680	1,151,933
Pupil Health	4,178,909	4,178,909	4,855,513	(676,604)
Business Services	2,727,059	2,727,059	2,850,843	(123,784)
Operation and Maintenance of Plant Services	17,854,917	17,847,583	20,156,344	(2,308,761)
Student Transportation Services	14,419,329	14,419,329	16,307,968	(1,888,639)
Support Services - Central	6,220,015	6,223,948	6,034,992	188,956
Other Support Services	95,000	95,000	271,845	(176,845)
Total Support Services	82,138,663	82,135,212	87,112,008	(4,976,796)
Operation of Noninstructional Services				
Student Activities	4,829,452	4,829,452	4,925,523	(96,071)
Community Services	90,029	90,029	95,610	(5,581)
Total Operation of Noninstructional Services	4,919,481	4,919,481	5,021,133	(101,652)
Facilities Acquisition, Construction, and Improvement Services	505,000	505,000	471,328	33,672
Debt Service	8,010,000	9,861,678	9,221,057	640,621
Total Expenditures	265,831,321	271,326,218	282,127,718	(10,801,500)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	18,646,092	15,012,872	6,185,305	(8,827,567)
OTHER FINANCING SOURCES (USES)				
Sale of/Compensation for Capital Assets	200,000	200,000	427,555	227,555
Refund of Prior Year Expenditures	-	-	74,712	74,712
Refund of Prior Year Revenues	-	(10,000)	-	10,000
Insurance Recoveries	-	-	22,799	22,799
Transfers Out	(15,224,308)	(15,224,308)	(8,548,481)	6,675,827
Budgetary Reserve	(4,043,220)	(400,000)	-	400,000
Total Other Financing Sources (Uses)	(19,067,528)	(15,434,308)	(8,023,415)	7,410,893
NET CHANGE IN FUND BALANCE	<u>\$ (421,436)</u>	<u>\$ (421,436)</u>	<u>(1,838,110)</u>	<u>\$ (1,416,674)</u>
Fund Balance - Beginning of Year			22,959,580	
FUND BALANCE - END OF YEAR			<u>\$ 21,121,470</u>	

**DOWNINGTOWN AREA SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY – PSERS
YEAR ENDED JUNE 30, 2025**

	Measurement Date									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's Proportion of the Net Pension Liability	0.7516%	0.7517%	0.7454%	0.7298%	0.7123%	0.6174%	0.7311%	0.6556%	0.6547%	0.6410%
District's Proportionate Share of the Net Pension Liability	\$ 314,581,752	\$ 334,404,118	\$ 331,395,314	\$ 299,632,015	\$ 350,729,511	\$ 288,835,822	\$ 350,964,299	\$ 323,790,381	\$ 324,448,546	\$ 277,651,000
District's Covered-Employee Payroll	\$ 118,467,794	\$ 115,411,908	\$ 109,806,040	\$ 103,604,972	\$ 100,128,498	\$ 85,153,373	\$ 98,456,473	\$ 87,291,671	\$ 84,793,744	\$ 82,474,947
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	265.54%	289.75%	301.80%	289.21%	350.28%	339.19%	356.47%	370.93%	382.63%	336.65%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	64.63%	61.85%	61.34%	63.67%	54.32%	55.66%	54.00%	52.00%	50.00%	54.00%

DOWNINGTOWN AREA SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PENSION PLAN CONTRIBUTIONS – PSERS
YEAR ENDED JUNE 30, 2025

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually Required Contribution	\$ 41,108,414	\$ 39,520,856	\$ 39,360,617	\$ 37,156,096	\$ 34,680,817	\$ 33,276,464	\$ 27,648,629	\$ 31,022,971	\$ 25,076,097	\$ 20,829,000
Contributions in Relation to the Contractually Required Contribution	<u>\$ 41,108,414</u>	<u>\$ 39,520,856</u>	<u>\$ 39,360,617</u>	<u>\$ 37,156,096</u>	<u>\$ 34,680,817</u>	<u>\$ 33,276,464</u>	<u>\$ 27,648,629</u>	<u>\$ 31,022,971</u>	<u>\$ 25,076,097</u>	<u>\$ 20,829,000</u>
Contribution Deficiency (Excess)	-	-	-	-	-	-	-	-	-	-
District's Covered-Employee Payroll	\$ 124,873,676	\$ 118,467,794	\$ 115,411,908	\$ 109,806,040	\$ 103,604,972	\$ 100,128,498	\$ 85,153,373	\$ 98,456,473	\$ 87,291,671	\$ 84,793,744
Contributions as a Percentage of Covered-Employee Payroll	32.92%	33.36%	34.10%	33.84%	33.47%	33.23%	32.47%	31.51%	29.00%	25.00%

**DOWNINGTOWN AREA SCHOOL DISTRICT
SCHEDULE OF CHANGES IN OPEB LIABILITY – SINGLE EMPLOYER PLAN
YEAR ENDED JUNE 30, 2025**

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability								
Service Cost	\$ 905,418	\$ 847,115	\$ 1,466,062	\$ 1,478,830	\$ 1,248,865	\$ 1,253,362	\$ 1,088,495	\$ 1,116,126
Interest on Total OPEB Liability	571,606	522,964	409,937	326,104	556,237	481,312	465,654	362,294
Change of Benefit Terms	321,662	-	-	-	-	-	-	-
Differences Between Projected and Actual Experience	2,125,071	-	(1,854,552)	-	(1,054,902)	-	(416,685)	-
Changes of Assumptions	(29,464)	166,307	(3,804,976)	(557,099)	832,556	(475,375)	878,365	(203,972)
Benefit Payments	(611,482)	(663,288)	(735,363)	(849,876)	(817,316)	(891,975)	(923,460)	(915,163)
Net Change in Total OPEB Liability	3,282,811	873,098	(4,518,892)	397,959	765,440	367,324	1,092,369	359,285
Total OPEB Liability, Beginning	13,266,164	12,393,066	16,911,958	16,513,999	15,748,559	15,381,235	14,288,866	13,929,581
Total OPEB Liability, Ending	<u>\$ 16,548,975</u>	<u>\$ 13,266,164</u>	<u>\$ 12,393,066</u>	<u>\$ 16,911,958</u>	<u>\$ 16,513,999</u>	<u>\$ 15,748,559</u>	<u>\$ 15,381,235</u>	<u>\$ 14,288,866</u>
Fiduciary Net Position as a Percentage of Total OPEB Liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered Payroll	\$ 116,033,160	\$ 108,810,925	\$ 108,810,925	\$ 98,981,967	\$ 98,981,967	\$ 90,294,978	\$ 90,294,978	\$ 83,688,223
Net OPEB Liability as a Percentage of Covered Payroll	14.26%	12.19%	11.39%	17.09%	16.68%	17.44%	17.03%	17.07%

Change of Benefit Terms:

Spouses of group 3 and 4 Administrators can now receive subsidized coverage and receive coverage as long as the member does. Group 3 and 4 Administrators now receive a life insurance policy with a face value of 2.5 time the members salary at retirement. Administrators are now required to reach 10 years of district service and either PSERS Superannuation, age 55 with 25 years of PSERS service, or 35 years of PSERS service to receive subsidized coverage. Confidential employees hired prior to July 1, 2024 can receive reimbursements for coverage through the PSERS group plan for up to 5 years regardless of their age. Confidential employees hired on or after July 1, 2024 are only eligible for Act 110/43.

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

DOWNINGTOWN AREA SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY – PSERS
YEAR ENDED JUNE 30, 2025

	Measurement Date							
	2024	2023	2022	2021	2020	2019	2018	2017
District's Proportion of the Net OPEB Liability	0.7528%	0.7533%	0.7468%	0.7308%	0.7134%	0.6174%	0.7311%	0.6556%
District's Proportionate Share of the Net OPEB Liability	\$ 13,373,183	\$ 13,628,899	\$ 13,746,878	\$ 17,320,566	\$ 15,414,413	\$ 13,131,123	\$ 15,243,062	\$ 13,357,273
District's Covered-Employee Payroll	\$ 118,467,794	\$ 115,411,908	\$ 109,806,040	\$ 103,604,972	\$ 100,128,498	\$ 85,153,373	\$ 98,456,473	\$ 87,291,671
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	11.29%	11.81%	12.52%	16.72%	15.39%	15.42%	15.48%	15.30%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	7.13%	7.22%	6.86%	5.30%	5.69%	5.56%	5.56%	6.00%

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

**DOWNINGTOWN AREA SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S OPEB PLAN CONTRIBUTIONS – PSERS
YEAR ENDED JUNE 30, 2025**

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Contractually Required Contribution	\$ 768,704	\$ 863,749	\$ 863,749	\$ 859,755	\$ 850,395	\$ 839,836	\$ 707,361	\$ 816,814	\$ 724,818
Contributions in Relation to the Contractually Required Contribution	\$ 768,704	\$ 863,749	\$ 863,749	\$ 859,755	\$ 850,395	\$ 839,836	\$ 707,361	\$ 816,814	\$ 724,818
Contribution Deficiency (Excess)	-	-	-	-	-	-	-	-	-
District's Covered-Employee Payroll	\$ 122,016,508	\$ 118,467,794	\$ 115,411,908	\$ 109,806,040	\$ 103,604,972	\$ 100,128,498	\$ 85,153,373	\$ 98,456,473	\$ 87,291,671
Contributions as a Percentage of Covered-Employee Payroll	0.63%	0.64%	0.75%	0.78%	0.82%	0.84%	0.83%	0.83%	0.83%

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

SUPPLEMENTARY INFORMATION

**DOWNINGTOWN AREA SCHOOL DISTRICT
COMBINING BALANCE SHEET – CAPITAL PROJECTS FUND
JUNE 30, 2025**

	Capital Reserve Fund	Capital Projects Fund	Total
ASSETS			
Cash	\$ 10,892,241	\$ 4,892,368	\$ 15,784,609
Investments	705,000	-	705,000
Due from Other Governments	-	847,800	847,800
Other Receivables	-	27,957	27,957
Due from Other Funds	-	8,792,222	8,792,222
Total Assets	<u>\$ 11,597,241</u>	<u>\$ 14,560,347</u>	<u>\$ 26,157,588</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 1,480,893	\$ 2,421,286	\$ 3,902,179
Total Liabilities	<u>1,480,893</u>	<u>2,421,286</u>	<u>3,902,179</u>
FUND BALANCES			
Committed:			
Capital Projects	<u>10,116,348</u>	<u>12,139,061</u>	<u>22,255,409</u>
Total Fund Balances	<u>10,116,348</u>	<u>12,139,061</u>	<u>22,255,409</u>
Total Liabilities and Fund Balances	<u>\$ 11,597,241</u>	<u>\$ 14,560,347</u>	<u>\$ 26,157,588</u>

**DOWNINGTOWN AREA SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2025**

	Capital Reserve Fund	Capital Projects Fund	Total
REVENUES			
Local Sources	\$ 929,387	\$ 575,296	\$ 1,504,683
State Sources	-	1,302,696	1,302,696
Total Revenues	<u>929,387</u>	<u>1,877,992</u>	<u>2,807,379</u>
EXPENDITURES			
Current			
Instruction	7,947	6,271,469	6,279,416
Support Services	-	602,702	602,702
Operation of Noninstructional Services	-	99,186	99,186
Facilities Acquisition, Construction, and Improvement Services	<u>17,791,475</u>	<u>33,392,522</u>	<u>51,183,997</u>
Total Expenditures	<u>17,799,422</u>	<u>40,365,879</u>	<u>58,165,301</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(16,870,035)	(38,487,887)	(55,357,922)
OTHER FINANCING SOURCES (USES)			
Refund of Prior Year Expenditures	-	27,957	27,957
Transfers In	-	8,337,326	8,337,326
Total Other Financing Sources (Uses)	<u>-</u>	<u>8,365,283</u>	<u>8,365,283</u>
NET CHANGE IN FUND BALANCES	(16,870,035)	(30,122,604)	(46,992,639)
Fund Balance - Beginning of Year	<u>26,986,383</u>	<u>42,261,665</u>	<u>69,248,048</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 10,116,348</u></u>	<u><u>\$ 12,139,061</u></u>	<u><u>\$ 22,255,409</u></u>

OTHER INFORMATION

**DOWNINGTOWN AREA SCHOOL DISTRICT
BORROWING BASE CALCULATION- GENERAL FUND
YEAR ENDED JUNE 30, 2025**

	<u>2023</u>	<u>2024</u>	<u>2025</u>
Gross Revenues Received - General Fund	\$ 263,469,374	\$ 277,784,859	\$ 288,313,023
Deductions Pursuant to Section 102 (c)(16) of Act 185 of 1972;			
(i) Subsidy - Rentals and Sinking Fund Payments	1,141,194	546,864	2,590,742
(ii) Nonrecurring Receipts	752,009	890,586	1,537,858
Total Deductions	<u>1,893,203</u>	<u>1,437,450</u>	<u>4,128,600</u>
 Total Revenues as Defined in Section (102(c)(16) of Act 185 of 1972	 <u>\$ 261,576,171</u>	 <u>\$ 276,347,409</u>	 <u>\$ 284,184,423</u>
 Total Revenues for Past Three Years	 <u>\$ 742,995,815</u>	 <u>\$ 785,568,345</u>	 <u>\$ 822,108,003</u>
 Borrowing Base - Average Annual Revenues	 <u>\$ 247,665,272</u>	 <u>\$ 261,856,115</u>	 <u>\$ 274,036,001</u>
 Debt Limit - 225% of Borrowing Base	 <u>\$ 557,246,861</u>	 <u>\$ 589,176,259</u>	 <u>\$ 616,581,002</u>

**DOWNINGTOWN AREA SCHOOL DISTRICT
COMPARATIVE SCHEDULES OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES– GENERAL FUND
YEAR ENDED JUNE 30, 2025**

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
REVENUES											
Local Sources	\$ 217,587,963	\$ 210,806,412	\$ 199,822,305	\$ 189,426,134	\$ 177,935,546	\$ 172,674,069	\$ 172,336,280	\$ 169,667,095	\$ 168,019,218	\$ 165,798,902	\$ 161,347,717
State Sources	65,571,417	61,513,658	59,611,939	56,302,669	53,930,959	52,437,987	50,286,113	50,224,146	50,415,422	43,445,079	40,489,476
Federal Sources	5,153,643	5,464,789	4,035,130	4,027,664	3,787,174	3,305,481	3,002,677	2,922,619	2,973,257	2,724,944	2,758,810
Total Revenues	288,313,023	277,784,859	263,469,374	249,756,467	235,653,679	228,417,537	225,625,070	222,813,860	221,407,897	211,968,925	204,596,003
EXPENDITURES											
Instruction	180,302,192	170,037,781	164,726,632	155,402,222	147,133,789	138,616,271	134,766,707	130,407,874	126,339,494	122,852,991	114,337,036
Support Services	87,112,008	80,853,123	75,263,561	71,165,099	66,798,832	63,990,979	63,073,821	60,274,071	60,692,658	58,164,456	54,859,555
Operation of Noninstructional Services	5,021,133	4,543,861	4,296,203	4,010,801	3,303,190	3,741,356	4,125,096	4,152,500	3,952,347	3,781,391	3,742,258
Facilities Acquisition, Construction, and Improvement Services	471,328	264,616	257,934	208,530	277,151	332,382	279,002	331,257	353,018	311,756	187,621
Debt Service	9,221,057	9,292,223	9,862,215	9,853,645	9,851,679	9,846,764	9,839,885	11,833,005	11,831,039	13,361,677	13,887,128
Total Expenditures	282,127,718	264,991,604	254,406,545	240,640,297	227,364,641	216,527,752	212,084,511	206,998,707	203,168,556	198,472,271	187,013,598
EXCESS OF REVENUES OVER EXPENDITURES	6,185,305	12,793,255	9,062,829	9,116,170	8,289,038	11,889,785	13,540,559	15,815,153	18,239,341	13,496,654	17,582,405
OTHER FINANCING SOURCES (USES)											
Transfers Out	(8,548,481)	(10,665,268)	(9,635,867)	(8,978,703)	(7,646,256)	(11,699,163)	(13,208,160)	(15,826,069)	(25,760,784)	(13,127,754)	(19,572,644)
Sale of/Compensation for Capital Assets	427,555	342,808	183,674	616,451	147,347	278,039	44,245	162,237	182,098	45,414	37,165
Insurance Recoveries	22,799	7,333	26,253	98,681	-	-	-	-	-	-	-
Refunds of Prior Years' Expenditures (Revenues)	74,712	-	37,429	277,978	106,946	117,085	122,639	201,532	69,585	(76,904)	119,098
Total Other Financing Sources (Uses)	(8,023,415)	(10,315,127)	(9,388,511)	(7,985,593)	(7,391,963)	(11,304,039)	(13,041,276)	(15,462,300)	(25,509,101)	(13,159,244)	(19,416,381)
NET CHANGE IN FUND BALANCE	(1,838,110)	2,478,128	(325,682)	1,130,577	897,075	585,746	499,283	352,853	(7,269,760)	337,410	(1,833,976)
Fund Balance - Beginning of Year	22,959,580	20,481,452	20,807,134	19,676,557	18,779,482	18,193,736	17,694,453	17,341,600	24,611,360	24,273,950	26,107,926
FUND BALANCE - END OF YEAR	<u>\$ 21,121,470</u>	<u>\$ 22,959,580</u>	<u>\$ 20,481,452</u>	<u>\$ 20,807,134</u>	<u>\$ 19,676,557</u>	<u>\$ 18,779,482</u>	<u>\$ 18,193,736</u>	<u>\$ 17,694,453</u>	<u>\$ 17,341,600</u>	<u>\$ 24,611,360</u>	<u>\$ 24,273,950</u>

**DOWNINGTOWN AREA SCHOOL DISTRICT
COMPARATIVE SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES– ORIGINAL BUDGET AND ACTUAL – GENERAL FUND
YEAR ENDED JUNE 30, 2025**

	2025		2024		2023		2022		2021	
	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual
REVENUES										
Local Sources	\$ 218,949,213	\$ 217,587,963	\$ 209,993,181	\$ 210,806,412	\$ 195,133,257	\$ 199,822,305	\$ 181,340,409	\$ 189,426,134	\$ 169,547,320	\$ 177,935,546
State Sources	64,103,200	65,571,417	59,859,299	61,513,658	58,676,563	59,611,939	54,655,660	56,302,669	52,608,923	53,930,959
Federal Sources	1,425,000	5,153,643	1,795,000	5,464,789	2,853,768	4,035,130	1,932,000	4,027,664	2,358,703	3,787,174
Total Revenues	284,477,413	288,313,023	271,647,480	277,784,859	256,663,588	263,469,374	237,928,069	249,756,467	224,514,946	235,653,679
EXPENDITURES										
Regular Programs	117,810,438	122,344,015	119,060,036	117,647,933	112,125,813	116,698,876	104,177,289	110,246,607	102,434,338	104,320,237
Special Programs	42,439,590	48,242,726	40,542,847	42,945,827	36,902,011	38,709,055	36,280,827	36,319,577	33,178,469	34,667,790
Vocational Programs	8,233,715	8,236,844	7,792,743	7,710,922	7,183,549	7,363,591	6,773,180	6,767,401	6,475,265	6,541,729
Other Instructional Programs	1,762,434	1,473,631	1,933,600	1,719,868	2,855,459	1,932,656	2,894,424	2,068,637	1,576,243	1,597,762
Nonpublic School Programs	12,000	4,976	12,000	13,231	14,845	22,454	7,651	-	36,700	6,271
Pupil Personnel Services	12,488,145	12,422,669	12,101,139	12,152,641	11,877,920	11,539,399	9,848,503	10,099,610	8,853,101	9,215,208
Instructional Staff Services	8,634,246	9,840,154	8,356,284	9,031,033	8,030,321	8,172,422	7,171,356	7,822,240	5,862,613	7,588,577
Administrative Services	15,521,043	14,371,680	15,141,766	14,275,967	14,119,346	14,446,647	13,641,707	14,177,182	12,631,129	13,326,182
Pupil Health	4,178,909	4,855,513	3,932,417	4,177,356	3,515,562	3,536,281	3,298,029	3,308,864	3,141,540	3,032,396
Business Services	2,727,059	2,850,843	2,580,098	2,676,013	2,432,414	2,509,681	2,277,321	2,374,349	2,246,329	2,161,333
Operation and Maintenance of Plant Services	17,854,917	20,156,344	17,009,458	18,132,161	15,696,559	16,925,355	15,195,468	15,709,600	15,333,193	15,879,519
Student Transportation Services	14,419,329	16,307,968	12,880,171	14,384,547	13,285,465	12,661,985	13,439,483	12,123,692	13,397,833	10,602,071
Central and Other Support Services	6,315,015	6,306,837	6,449,592	6,023,405	5,951,278	5,471,791	5,207,479	5,549,562	4,454,269	4,993,546
Student Activities	4,829,452	4,925,523	4,236,934	4,481,696	4,139,714	4,249,779	4,053,340	3,958,958	3,986,503	3,288,501
Community Services	90,029	95,610	170,921	62,165	67,075	46,424	65,862	51,843	89,250	14,689
Facilities Acquisition, Construction, and Improvement	505,000	471,328	286,000	264,616	280,000	257,934	210,000	208,530	280,000	277,151
Debt Service	8,010,000	9,221,057	8,000,000	9,292,223	8,000,000	9,862,215	8,000,000	9,853,645	8,000,000	9,851,679
Total Expenditures	265,831,321	282,127,718	260,486,006	264,991,604	246,477,331	254,406,545	232,541,919	240,640,297	221,976,775	227,364,641
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	18,646,092	6,185,305	11,161,474	12,793,255	10,186,257	9,062,829	5,386,150	9,116,170	2,538,171	8,289,038
OTHER FINANCING SOURCES (USES)										
Sale of/Compensation for Capital Assets	200,000	427,555	500,000	342,808	600,000	183,674	100,000	616,451	200,000	147,347
Insurance Recoveries	-	22,799	-	7,333	-	26,253	-	98,681	-	-
Refund of Prior Year Expenditures (Revenues)	-	74,712	(10,000)	-	60,000	37,429	10,000	277,978	-	106,946
Transfers Out	(15,224,308)	(8,548,481)	(9,226,200)	(10,665,268)	(11,103,425)	(9,635,867)	(7,884,200)	(8,978,703)	-	(7,646,256)
Budgetary Reserve	(4,043,220)	-	(3,750,000)	-	(3,825,830)	-	(3,645,000)	-	(8,810,685)	-
Total Other Financing Sources (Uses)	(19,067,528)	(8,023,415)	(12,486,200)	(10,315,127)	(14,269,255)	(9,388,511)	(11,419,200)	(7,985,593)	(8,610,685)	(7,391,963)
NET CHANGE IN FUND BALANCE	(421,436)	(1,838,110)	(1,324,726)	2,478,128	(4,082,998)	(325,682)	(6,033,050)	1,130,577	(6,072,514)	897,075
Fund Balance - Beginning of Year	22,959,580	22,959,580	20,481,452	20,481,452	20,807,134	20,807,134	19,676,557	19,676,557	18,779,482	18,779,482
FUND BALANCE - END OF YEAR	<u>\$ 22,538,144</u>	<u>\$ 21,121,470</u>	<u>\$ 19,156,726</u>	<u>\$ 22,959,580</u>	<u>\$ 16,724,136</u>	<u>\$ 20,481,452</u>	<u>\$ 13,643,507</u>	<u>\$ 20,807,134</u>	<u>\$ 12,706,968</u>	<u>\$ 19,676,557</u>

DOWNINGTOWN AREA SCHOOL DISTRICT
COMPARATIVE SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES– ORIGINAL BUDGET AND ACTUAL – GENERAL FUND (CONTINUED)
YEAR ENDED JUNE 30, 2025

	2020		2019		2018		2017		2016	
	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual
REVENUES										
Local Sources	\$ 172,858,820	\$ 172,674,069	\$ 168,769,339	\$ 172,336,280	\$ 167,346,585	\$ 169,667,095	\$ 163,745,222	\$ 168,019,218	\$ 158,782,552	\$ 165,798,902
State Sources	52,134,292	52,437,987	50,500,466	50,286,113	48,250,113	50,224,146	46,198,778	50,415,422	43,095,448	43,445,079
Federal Sources	1,135,000	3,305,481	1,270,000	3,002,677	1,128,000	2,922,619	1,168,000	2,973,257	925,000	2,724,944
Total Revenues	226,128,112	228,417,537	220,539,805	225,625,070	216,724,698	222,813,860	211,112,000	221,407,897	202,803,000	211,968,925
EXPENDITURES										
Regular Programs	99,428,734	98,038,430	92,178,760	96,559,508	101,187,500	94,482,875	97,996,065	90,304,527	93,665,914	88,830,399
Special Programs	31,655,377	32,559,701	30,071,679	30,413,690	30,756,460	28,808,958	29,791,057	28,905,873	27,734,555	26,945,686
Vocational Programs	6,154,599	6,273,664	5,735,778	5,810,180	5,708,799	5,657,676	6,270,044	5,553,718	6,157,309	5,661,706
Other Instructional Programs	1,744,486	1,739,711	1,816,672	1,942,120	1,674,763	1,422,288	1,744,527	1,557,847	1,582,643	1,413,430
Nonpublic School Programs	38,500	4,765	37,392	41,209	5,000	36,077	12,000	17,529	15,000	1,770
Pupil Personnel Services	8,518,095	9,096,830	8,063,628	8,148,107	7,875,328	7,795,655	7,480,586	7,443,942	7,022,511	7,033,625
Instructional Staff Services	6,347,205	6,867,839	6,106,092	7,097,655	5,921,418	6,231,579	5,738,259	6,262,051	5,521,646	5,525,255
Administrative Services	13,370,486	12,316,951	12,279,091	11,872,379	12,175,347	10,636,060	12,104,043	12,550,594	11,449,044	11,436,417
Pupil Health	3,013,269	2,744,747	2,949,147	2,808,862	3,022,009	2,825,577	2,876,200	2,791,701	2,846,521	2,583,197
Business Services	2,471,992	2,133,675	2,304,020	2,405,528	2,254,580	2,159,612	2,041,382	1,981,294	1,895,079	1,692,735
Operation and Maintenance of Plant Services	15,331,601	14,511,209	14,820,790	14,130,699	14,998,184	14,018,196	14,851,685	14,116,920	14,335,773	14,599,437
Student Transportation Services	12,801,555	10,990,897	11,976,434	12,212,453	11,821,037	11,543,650	11,371,606	11,259,811	11,084,751	11,378,180
Central and Other Support Services	4,759,516	5,328,831	4,552,692	4,398,138	4,662,983	5,063,742	4,387,526	4,286,345	4,143,691	3,915,610
Student Activities	3,850,814	3,674,686	3,776,780	4,045,151	3,674,876	4,066,865	3,493,302	3,874,670	3,299,563	3,706,256
Community Services	84,660	66,670	87,000	79,945	81,716	85,635	83,718	77,677	44,000	75,135
Facilities Acquisition, Construction, and Improvement	310,000	332,382	310,000	279,002	360,000	331,257	350,000	353,018	485,000	311,756
Debt Service	10,000,000	9,846,764	10,000,000	9,839,885	10,090,000	11,833,005	10,020,000	11,831,039	15,500,000	13,361,677
Total Expenditures	219,880,889	216,527,752	207,065,955	212,084,511	216,270,000	206,998,707	210,612,000	203,168,556	206,783,000	198,472,271
EXCESS OF REVENUES OVER EXPENDITURES	6,247,223	11,889,785	13,473,850	13,540,559	454,698	15,815,153	500,000	18,239,341	(3,980,000)	13,496,654
OTHER FINANCING SOURCES (USES)										
Sale of/Compensation for Capital Assets	89,700	278,039	90,000	44,245	45,302	162,237	-	182,098	-	45,414
Insurance Recoveries	-	-	-	-	-	-	-	-	-	-
Refund of Prior Year Expenditures (Revenues)	25,000	117,085	(50,000)	122,639	-	201,532	-	69,585	(20,000)	(76,904)
Transfers Out	(1,500,000)	(11,699,163)	(7,950,000)	(13,208,160)	-	(15,826,069)	-	(25,760,784)	-	(13,127,754)
Budgetary Reserve	(4,861,923)	-	(5,563,850)	-	(500,000)	-	(500,000)	-	(500,000)	-
Total Other Financing Sources (Uses)	(6,247,223)	(11,304,039)	(13,473,850)	(13,041,276)	(454,698)	(15,462,300)	(500,000)	(25,509,101)	(520,000)	(13,159,244)
NET CHANGE IN FUND BALANCE	-	585,746	-	499,283	-	352,853	-	(7,269,760)	(4,500,000)	337,410
Fund Balance - Beginning of Year	18,193,736	18,193,736	17,694,453	17,694,453	17,341,600	17,341,600	24,611,360	24,611,360	24,273,950	24,273,950
FUND BALANCE - END OF YEAR	<u>\$ 18,193,736</u>	<u>\$ 18,779,482</u>	<u>\$ 17,694,453</u>	<u>\$ 18,193,736</u>	<u>\$ 17,341,600</u>	<u>\$ 17,694,453</u>	<u>\$ 24,611,360</u>	<u>\$ 17,341,600</u>	<u>\$ 19,773,950</u>	<u>\$ 24,611,360</u>

**DOWNINGTOWN AREA SCHOOL DISTRICT
COMPARATIVE SCHEDULES OF REVENUES AND OTHER
FINANCING SOURCES – GENERAL FUND
YEAR ENDED JUNE 30, 2025**

	2025	2024	2023	2022	2021
REVENUES					
Local Sources					
Current Real Estate Taxes	\$ 173,852,390	\$ 166,998,655	\$ 157,626,568	\$ 148,850,828	\$ 142,289,601
Interim Real Estate Taxes	2,207,143	1,929,895	5,008,320	4,818,352	3,372,342
Public Utility Realty Tax	182,376	164,434	168,584	166,162	161,900
Act 511 Local Services Taxes	251,126	252,637	242,944	233,578	206,962
Act 511 Earned Income Taxes	23,777,575	23,370,511	22,080,903	21,276,193	19,519,517
Act 511 Real Estate Transfer Taxes	3,694,909	3,910,412	3,760,721	5,021,225	4,868,084
Delinquent Real Estate Taxes	2,481,771	2,554,432	2,778,381	3,624,929	3,171,913
Earnings on Investments	5,873,078	6,476,891	3,732,764	245,166	531,235
Revenues from Intermediary Sources	2,048,121	2,032,280	1,888,110	2,546,557	2,070,967
Rentals	524,534	436,047	419,464	406,731	62,348
Tuition - Regular and Summer School	41,400	65,756	58,650	63,600	94,697
Student Activities	2,258,387	1,905,742	1,910,220	2,062,913	1,434,586
Miscellaneous Revenue	395,153	573,516	146,676	109,900	151,394
Total Revenues from Local Sources	217,587,963	210,671,208	199,822,305	189,426,134	177,935,546
State Sources					
Basic Education	19,463,592	18,764,318	17,183,070	15,732,745	15,213,418
Charter Schools	175,054	-	-	-	-
Tuition Court Placed	50,713	43,151	79,824	109,088	153,276
Special Education	7,062,410	6,861,557	6,826,949	6,528,454	6,146,692
Transportation	4,078,569	3,808,228	3,572,266	3,710,133	4,049,334
Rental and Sinking Fund Payments	729,065	726,681	1,298,173	1,773,613	1,236,671
Medical and Dental Services	311,715	310,803	307,464	301,906	305,200
State Property Tax Reduction Allocation	5,825,176	4,770,678	4,904,389	4,010,319	3,983,275
Other State Grants	264,038	438,036	-	-	-
Safe Schools	-	-	-	-	25,000
Ready to Learn Grant	1,736,290	874,969	874,969	874,969	874,969
Social Security Subsidy	4,606,808	4,376,318	4,228,503	4,005,252	3,866,989
Retirement Subsidy	21,267,987	20,538,919	20,336,332	19,256,190	18,076,135
Incarcerated Education	-	-	-	-	-
Total Revenues from State Sources	65,571,417	61,513,658	59,611,939	56,302,669	53,930,959
Federal Sources					
Title I - Low Income	571,882	359,341	306,640	313,744	318,047
Title II - Improving Teaching Quality	139,214	207,710	164,333	152,973	218,224
Title III - English Language	70,533	64,356	42,385	32,514	34,577
Title IV- Student Support and Enrichment	29,636	33,208	41,274	-	25,751
Qualified School Construction Bond (QSCB)	1,861,677	1,880,665	1,862,215	1,853,645	1,851,679
All Other Federal Grants	2,345,101	2,013,798	841,532	644,627	561,186
Medical Assistance/Administrative	77,644	55,425	24,742	31,758	32,180
COVID-19 Grants	57,956	850,286	752,009	998,403	745,530
Total Revenues from Federal Sources	5,153,643	5,464,789	4,035,130	4,027,664	3,787,174
Other Financing Sources					
Sale of/Compensation for Capital Assets	427,555	342,808	183,674	616,451	227,555
Insurance Recoveries	22,799	7,333	26,253	98,681	-
Refunds of Prior Years Expenditures	74,712	135,204	45,767	278,505	74,712
Total Other Financing Sources	525,066	485,345	255,694	993,637	302,267
Total Revenues and Other Financing Sources	\$ 288,838,089	\$ 278,135,000	\$ 263,725,068	\$ 250,750,104	\$ 235,955,946

**DOWNINGTOWN AREA SCHOOL DISTRICT
COMPARATIVE SCHEDULES OF REVENUES AND OTHER
FINANCING SOURCES – GENERAL FUND (CONTINUED)
YEAR ENDED JUNE 30, 2025**

	2020	2019	2018	2017	2016
REVENUES					
Local Sources					
Current Real Estate Taxes	\$ 141,921,935	\$ 139,238,919	\$ 137,897,085	\$ 136,816,786	\$ 134,549,959
Interim Real Estate Taxes	2,074,669	2,727,132	2,281,663	3,448,417	4,121,201
Public Utility Realty Tax	150,294	166,470	166,089	176,715	179,587
Act 511 Local Services Taxes	224,184	211,683	220,294	232,779	212,407
Act 511 Earned Income Taxes	16,935,044	16,976,574	16,475,316	16,440,768	15,700,345
Act 511 Real Estate Transfer Taxes	2,871,706	3,796,236	2,999,767	2,937,027	3,348,454
Delinquent Real Estate Taxes	2,499,954	2,246,920	3,520,845	2,964,014	3,332,783
Earnings on Investments	1,857,522	2,224,533	1,380,428	732,214	475,958
Revenues from Intermediary Sources	1,697,945	1,813,562	1,854,021	1,927,828	1,670,659
Rentals	469,922	536,340	476,662	374,630	494,672
Tuition - Regular and Summer School	40,914	132,874	255,867	38,956	71,276
Student Activities	1,812,144	2,079,732	1,930,289	1,707,287	1,430,436
Miscellaneous Revenue	117,836	185,305	208,769	221,797	211,165
Total Revenues from Local Sources	172,674,069	172,336,280	169,667,095	168,019,218	165,798,902
State Sources					
Basic Education	15,213,438	14,785,800	14,607,845	14,346,522	13,870,652
Charter School	-	-	-	-	-
Tuition Court Placed	776,402	79,034	137,120	157,552	115,763
Special Education	5,804,520	5,901,099	6,131,365	5,849,908	5,688,100
Transportation	3,618,939	3,746,544	3,894,611	3,838,040	4,016,650
Rental and Sinking Fund Payments	1,248,896	1,263,351	2,252,395	4,842,591	591,455
Medical and Dental Services	305,654	329,923	285,534	288,748	288,659
State Property Tax Reduction Allocation	3,954,207	3,875,394	3,939,786	3,906,948	3,808,899
Other State Grants	-	51,416	1,663	-	6,195
Safe Schools	45,000	25,000	-	-	9,780
Ready to Learn Grant	874,969	874,969	874,969	874,969	874,969
Social Security Subsidy	3,663,307	3,588,740	3,332,110	3,218,331	3,182,939
Retirement Subsidy	16,932,655	15,764,843	14,766,748	13,091,813	10,991,018
Incarcerated Education	-	-	-	-	-
Total Revenues from State Sources	52,437,987	50,286,113	50,224,146	50,415,422	43,445,079
Federal Sources					
Title I - Low Income	273,480	339,732	294,189	356,259	257,694
Title II - Improving Teaching Quality	199,135	173,142	233,281	147,573	135,367
Title III - English Language	65,992	45,514	39,921	31,686	27,623
Title IV - Student Support and Enrichment	51,456	-	1,687	-	-
Qualified School Construction Bond (QSCB)	1,846,765	1,839,885	1,833,005	1,831,039	1,827,108
All Other Federal Grants	568,980	576,693	509,899	594,897	452,998
Medical Assistance/Administrative	28,671	27,711	10,637	11,803	24,154
COVID-19 Grants	271,002	-	-	-	-
Total Revenues from Federal Sources	3,305,481	3,002,677	2,922,619	2,973,257	2,724,944
Other Financing Sources					
Sale of/Compensation for Capital Assets	278,039	44,245	162,237	182,098	45,414
Insurance Recoveries	-	-	-	-	-
Refunds of Prior Years Expenditures	117,370	141,018	201,532	88,522	64,835
Total Other Financing Sources	395,409	185,263	363,769	270,620	110,249
Total Revenues and Other Financing Sources	\$ 228,812,946	\$ 225,810,333	\$ 223,177,629	\$ 221,678,517	\$ 212,079,174

SINGLE AUDIT

**DOWNINGTOWN AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2025**

Federal Grantor/Pass-Through Grantor/Project Title	Source Code	Federal ALN Number	Pass- Through Grantor's Number	Grant Period Beginning/ Ending Dates	Grant Amount	Total Received for Year	Accrued (Deferred) Revenue July 1, 2024	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue June 30, 2025	Passed Through to Subrecipients
U.S. Department of Education											
Passed Through the Pennsylvania Department of Education											
Title I - Improving Basic Programs	I	84.010	013-240121	07/01/23 - 09/30/24	\$ 448,925	\$ 237,595	\$ 57,092	\$ 180,503	\$ 180,503	\$ -	\$ -
Title I - Improving Basic Programs	I	84.010	013-250121	07/01/24 - 09/30/25	420,624	305,169	-	391,379	391,379	86,210	-
Total ALN #84.010						542,764	57,092	571,882	571,882	86,210	-
Title II - Improving Teacher Quality	I	84.367	020-240121	07/01/23 - 09/30/24	197,132	79,064	30,969	48,095	48,095	-	-
Title II - Improving Teacher Quality	I	84.367	020-250121	07/01/24 - 09/30/25	165,478	107,794	-	91,119	91,119	(16,675)	-
Total ALN #84.367						186,858	30,969	139,214	139,214	(16,675)	-
Title III - Language Instruction LEP/Immigrant Students	I	84.365	010-240121	07/01/23 - 09/30/24	56,756	27,032	11,900	15,132	15,132	-	-
Title III - Language Instruction LEP/Immigrant Students	I	84.365	010-250121	07/01/24 - 09/30/25	56,787	49,216	-	55,401	55,401	6,185	-
Total ALN #84.365						76,248	11,900	70,533	70,533	6,185	-
Title IV Student Support & Academic Enrichment	I	84.424	144-250121	07/01/24 - 09/30/25	33,808	24,793	-	29,636	29,636	4,843	-
COVID-19 American Rescue Plan Act Elementary and Secondary School Emergency Relief	I	84.425U	223-210121	03/13/20 - 09/30/24	2,497,710	181,652	128,704	52,948	52,948	-	-
COVID-19 American Rescue Plan Act Elementary and Secondary School Emergency Relief - Homeless Children and Youth	I	84.425W	181-212122	07/01/21 - 09/30/24	16,267	14,182	9,174	5,008	5,008	-	-
Total ALN #84.425						195,834	137,878	57,956	57,956	-	-
Passed Through the Chester County I.U.											
I.D.E.A. - Part B, Section 611	I	84.027	062-240024	07/01/23 - 06/30/24	2,024,846	419,420	419,420	-	-	-	-
I.D.E.A. - Part B, Section 611	I	84.027	062-250024	07/01/24 - 06/30/25	2,039,726	1,770,790	-	2,039,726	2,039,726	268,936	-
Total ALN #84.027						2,190,210	419,420	2,039,726	2,039,726	268,936	-
I.D.E.A. - Part B, Section 619	I	84.173	131-250024	07/01/24 - 06/30/25	8,395	8,395	-	8,395	8,395	-	-
Total U.S. Department of Education						3,225,102	657,259	2,917,342	2,917,342	349,499	-
U.S. Department of Health and Human Services											
Passed Through the Pennsylvania Department of Public Welfare											
Medical Assistance Program	I	93.778	N/A	07/01/23 - 06/30/24	37,265	4,897	4,897	-	-	-	-
Medical Assistance Program	I	93.778	N/A	07/01/24 - 06/30/25	77,644	77,644	-	77,644	77,644	-	-
Total ALN #93.778						82,541	4,897	77,644	77,644	-	-
Total U.S. Department of Health and Human Services						82,541	4,897	77,644	77,644	-	-
U.S. Department of Treasury											
Passed Through the Pennsylvania Commission on Crime and Delinquency											
COVID SFR School Mental Health Grant	I	21.027	2023-CM-01-42735	03/01/24-12/31/25	263,053	74,817	-	177,206	177,206	102,389	-

**DOWNINGTOWN AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2025**

Federal Grantor/Pass-Through Grantor/Project Title	Source Code	Federal ALN Number	Pass- Through Grantor's Number	Grant Period Beginning/ Ending Dates	Grant Amount	Total Received for Year	Accrued (Deferred) Revenue July 1, 2024	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue June 30, 2025	Passed Through to Subrecipients
U.S. Department of Agriculture											
Passed Through the Pennsylvania Department of Education Breakfast Program	I	10.553	N/A	07/01/24 - 06/30/25	N/A	175,974	-	175,974	175,974	-	-
National School Lunch Program	I	10.555	N/A	07/01/24 - 06/30/25	N/A	638,788	-	638,788	638,788	-	-
Supply Chain Assistance	I	10.555	N/A	07/01/22 - 06/30/23	N/A	-	(191,140)	137,707	137,707	(53,433)	-
Supply Chain Assistance	I	10.555	N/A	07/01/23 - 06/30/24	N/A	-	(204,460)	-	-	(204,460)	-
Passed Through the Pennsylvania Department of Agriculture National School Lunch Program	I	10.555	N/A	07/01/24 - 06/30/25	N/A	a) 365,981	b) (4,317)	c) 369,123	369,123	d) (1,175)	-
Total ALN #10.555						1,004,769	(399,917)	1,145,618	1,145,618	(259,068)	-
Total U.S. Department of Agriculture						1,180,743	(399,917)	1,321,592	1,321,592	(259,068)	-
Total Federal Awards						\$ 4,563,203	\$ 262,239	\$ 4,493,784	\$ 4,493,784	\$ 192,820	\$ -
Special Education Cluster (IDEA) (ALN's #84.027 and #84.173)						\$ 2,198,605	\$ 419,420	\$ 2,048,121	\$ 2,048,121	\$ 268,936	\$ -
Child Nutrition Cluster (ALN's #10.553 and #10.555)						\$ 1,180,743	\$ (399,917)	\$ 1,321,592	\$ 1,321,592	\$ (259,068)	\$ -
Medicaid Cluster (ALN #93.778)						\$ 82,541	\$ 4,897	\$ 77,644	\$ 77,644	\$ -	\$ -

Footnotes

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

Source Codes

D - Direct Funding
I - Indirect Funding
ALN - Assistance Listing Number

DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2025

NOTE 1 BASIS OF PRESENTATION

The schedule of expenditures of federal awards (the Schedule) reflects federal expenditures for all individual grants which were active during the fiscal year.

NOTE 2 BASIS OF ACCOUNTING

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

NOTE 3 NONMONETARY FEDERAL AWARDS – DONATED FOOD

The Commonwealth of Pennsylvania distributes federal surplus food to institutions (schools, hospitals, and prisons) and to the needy. Expenditures reported in the Schedule under ALN #10.555 National School Lunch Program and passed through the Pennsylvania Department of Agriculture represent federal surplus food consumed by the District during the 2024-2025 fiscal year.

NOTE 4 ACCESS PROGRAM

The District participates in the ACCESS Program which is a medical assistance program that reimburses local educational agencies for direct eligible health-related services provided to enrolled special needs students. Reimbursements are federal source revenues but are classified as fee-for-service and are not considered federal financial assistance. The amount of ACCESS funding recognized for the year ended June 30, 2025 was \$2,167,895.

NOTE 5 QUALIFIED SCHOOL CONSTRUCTION BONDS PROGRAM

The District participates in the Qualified School Construction Bonds (QSCB) program sponsored by the State Public School Building Authority (SPSBA). In conjunction with the QSCB Program, the District receives subsidy reimbursements for a portion of the interest payments made under its loan agreements with the SPSBA. Reimbursements are federal source revenues but are not considered federal financial assistance. The amount of QSCB subsidy payments recognized for the year ended June 30, 2025 was \$1,861,677.

NOTE 6 INDIRECT COSTS

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



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

Board of School Directors
Downingtown Area School District
Downingtown, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Downingtown Area School District, Exton, Pennsylvania (the District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 30, 2026.

Report on Internal Control Over Financial Reporting

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

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

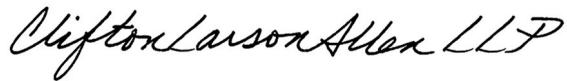
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

King of Prussia, Pennsylvania
March 30, 2026



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

Board of School Directors
Downingtown Area School District
Downingtown, Pennsylvania

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Downingtown Area School District's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2025. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

King of Prussia, Pennsylvania
March 30, 2026

**DOWNINGTOWN AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2025**

Section I – Summary of the Auditors’ Results

Basic Financial Statements

- | | | | |
|--|------------|------------------------------|--|
| 1. Type of auditors’ report issued: | Unmodified | | |
| 2. Internal control over financial reporting: | | | |
| • Material weakness(es) identified? | _____ yes | _____ <u>x</u> no | |
| • Significant deficiency(ies) identified? | _____ yes | _____ <u>x</u> none reported | |
| 3. Noncompliance material to basic financial statements noted? | | | |
| | _____ yes | _____ <u>x</u> no | |

Federal Awards

- | | | | |
|---|------------|------------------------------|--|
| 1. Internal control over major federal programs: | | | |
| • Material weakness(es) identified? | _____ yes | _____ <u>x</u> no | |
| • Significant deficiency(ies) identified? | _____ yes | _____ <u>x</u> none reported | |
| 2. Type of auditors’ report issued on compliance for major federal programs: | | | |
| | Unmodified | | |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | | | |
| | _____ yes | _____ <u>x</u> no | |

Identification of Major Federal Programs

Assistance Listing Number(s)

Child Nutrition Cluster:
10.553
10.555

Name of Federal Program or Cluster

National School Breakfast Program
National School Lunch Program

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

_____ x yes _____ no

**DOWNINGTOWN AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2025**

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Federal Award Findings and Questioned Costs

Our audit did not disclose any matters required to be reported in accordance with 2 *CFR* 200.516(a).



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