



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

Financial Statements  
Year Ended June 30, 2020



1835 Market Street, 3rd Floor  
Philadelphia, PA 19103

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# DOWNINGTOWN AREA SCHOOL DISTRICT

## CONTENTS

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INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
<i>Statement of Net Position</i>	12
<i>Statement of Activities</i>	13
Fund Financial Statements	
<i>Balance Sheet – Governmental Funds</i>	14
<i>Reconciliation of Governmental Funds Balance Sheet to Net Position             of Governmental Activities on the Statement of Net Position</i>	15
<i>Statement of Revenues, Expenditures and Changes in Fund Balances –             Governmental Funds</i>	16
<i>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</i>	17
<i>Statement of Net Position – Proprietary Fund</i>	18
<i>Statement of Revenues, Expenses and Changes in Net Position –             Proprietary Fund</i>	19
<i>Statement of Cash Flows – Proprietary Fund</i>	20
<i>Statement of Net Position – Fiduciary Funds</i>	21
<i>Statement of Changes in Net Position – Fiduciary Fund</i>	22
Notes to Financial Statements	23
REQUIRED SUPPLEMENTARY INFORMATION	
<i>Budgetary Comparison Schedule – General Fund</i>	47
<i>Schedule of the District's Proportionate Share of the Net Pension Liability - PSERS</i>	48
<i>Schedule of the District's Pension Plan Contributions - PSERS</i>	49
<i>Schedule of Changes in OPEB Liability – Single Employer Plan</i>	50
<i>Schedule of the District's Proportionate Share of the Net OPEB Liability - PSERS</i>	51
<i>Schedule of the District's OPEB Plan Contributions - PSERS</i>	52

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# DOWNINGTOWN AREA SCHOOL DISTRICT

## CONTENTS

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### SUPPLEMENTARY INFORMATION

<i>Combining Balance Sheet – Capital Projects Fund</i>	53
<i>Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Capital Projects Fund</i>	54
<i>Borrowing Base Calculation – General Fund</i>	55
<i>Comparative Schedules of Revenues, Expenditures and Changes in Fund Balances – General Fund</i>	56
<i>Comparative Schedules of Revenues, Expenditures and Changes in Fund Balances – Original Budget and Actual General Fund</i>	57
<i>Comparative Schedules of Revenues and Other Financing Sources – General Fund</i>	59

### SINGLE AUDIT

<i>Schedule of Expenditures of Federal Awards and Certain State Grants</i>	61
<i>Notes to Schedule of Expenditures of Federal Awards and Certain State Grants</i>	64
<i>Summary Schedule of Prior Audit Findings</i>	65
<b>INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS</b>	66
<b>INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE</b>	68
<i>Schedule of Findings and Questioned Costs</i>	70

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## **INDEPENDENT AUDITOR'S REPORT**

**Board of School Directors  
Downingtown Area School District  
Downingtown, Pennsylvania**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Downingtown Area School District, Downingtown, Pennsylvania as of and for the year ended June 30, 2020, 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.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Downingtown Area School District, Downingtown, Pennsylvania as of June 30, 2020, 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.

### ***Other Matters***

#### **Report on Summarized Comparative Information**

We have previously audited Downingtown Area School District's 2019 financial statements, and our report dated November 21, 2019 expressed unmodified opinions on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule – General Fund, the schedules of the District's proportionate share of the net pension liability 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 and OPEB plan contributions - PSERS on pages 3 through 11 and 47 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Downingtown Area School District's basic financial statements. The combining and individual fund financial statements, the borrowing base calculation and the comparative General Fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and certain state grants is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The combining and individual fund financial statements and the schedule of expenditures of federal awards and certain state grants are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and the schedule of expenditures of federal awards and certain state grants are fairly stated in all material respects in relation to the basic financial statements as a whole.

The borrowing base calculation and the comparative General Fund schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2020, on our consideration of Downingtown Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Downingtown Area School District's internal control over financial reporting and compliance.

**BBD, LLP**

**Philadelphia, Pennsylvania  
December 1, 2020**

# DOWNINGTOWN AREA SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2020

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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, 2020. 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

- On March 13, 2020 the District closed all schools for the remainder of the 2019-2020 school year due to the coronavirus pandemic ("**COVID-19**"). The effect of the pandemic on the economy caused certain revenue sources such as interim real estate taxes, real estate transfer taxes, and earned income taxes to decrease compared to the prior year. All staff continued to be paid during the closing, causing overall expenditures to still reflect an increase over the prior year in the General Fund.
  - On a government-wide basis including all governmental activities and the business-type activities, the assets and deferred outflows of resources exceeded the liabilities and deferred inflows of resources of the District resulting in net position at the close of the 2019-2020 fiscal year of \$53,890,730. During the 2019-2020 fiscal year the District had an increase in total net position of \$12,865,639. The net position of governmental activities increased by \$12,850,832 and the net position of the business-type activities increased by \$14,807.
  - As of June 30, 2020, the District's governmental funds reported a combined fund balance of \$187,549,581, which is a decrease of \$26,886,333 from the prior year.
  - The General Fund reported an excess of revenue over expenditures of \$11,889,785, and other net financing uses of \$11,304,039. The other net financing uses were primarily a transfer to the Capital Projects Fund. This resulted in an increase in fund balance of \$585,746 bringing the cumulative balance to \$18,779,482 at the conclusion of the 2019-2020 fiscal year.
  - General Fund revenues from local sources increased a total of \$337,789 over the prior year. Changes in local revenue sources were as follows:
    - Net increase in real estate taxes of \$1,359,057 driven by a \$2,683,016 increase from assessment growth and an increase in delinquent real estate tax revenue of \$253,034, offset by a \$1,576,993 decrease in real estate transfer and interim tax revenue. The real estate tax rate of 27.182 mills remained unchanged for the seventh consecutive year.
    - Net \$1,021,268 decrease in all other local revenue sources primarily due to a decrease in interest income, student activity fee revenue, and a decrease in funding related to the Individuals with Disabilities Education Act (IDEA).
  - General Fund revenue from state sources increased \$2,151,874 over the prior year. The increase is primarily due to an increase in the Public School Employees Retirement System ("**PSERS**") reimbursement for increased employer contributions, an increase in funding for court placed students in the District, and an increase in the basic education subsidy.
  - General Fund revenue from federal sources increased by \$302,804 primarily due to funding received by the District from the Coronavirus Aid, Relief, and Economic Security ("**CARES**") Act.
  - General Fund expenditures, excluding other financing uses, had a net increase of \$4,443,241 over the prior year primarily due to the following changes:
    - \$5,460,764 net increase in employee costs due to a \$4,351,863 increase in salaries and a \$2,364,508 increase in PSERS expense, offset by a \$1,255,607 decrease in other employee benefit costs.
    - \$1,017,523 net decrease in other expenditures primarily due to reduced spending as a result of schools closing as of March 13, 2020 due to COVID-19.
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# DOWNINGTOWN AREA SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2020

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- During 2019-2020, the Capital Projects Fund had \$40,218,067 in expenditures primarily for the construction of the new Uwchlan Hills Elementary School and additions to the STEM Academy. Uwchlan Hills Elementary School was funded with bond proceeds borrowed in 2018, and the STEM Academy additions were funded with Capital Projects Fund fund balance. Other capital spending throughout the District for facilities, technology, and curriculum were funded with a \$9,371,895 transfer from the General Fund.
- During 2019-2020, the Debt Service Fund subsidized \$6,596,136 of the District's debt service.

### 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, you need to consider additional non-financial factors, such as changes in the District's property tax base and the performance of the students.

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

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

#### Fund 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.

# DOWNINGTOWN AREA SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2020

- **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.

### 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 2019-2020 fiscal year the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$53,890,730. The following table presents condensed information for the Statement of Net Position of the District at June 30, 2020 and 2019.

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>						
Current assets	\$ 230,319,631	\$ 252,174,375	\$1,868,548	\$1,745,139	\$ 232,188,179	\$ 253,919,514
Capital assets	306,523,357	279,771,246	857,111	952,350	307,380,468	280,723,596
<b>TOTAL ASSETS</b>	<b>536,842,988</b>	<b>531,945,621</b>	<b>2,725,659</b>	<b>2,697,489</b>	<b>539,568,647</b>	<b>534,643,110</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>60,484,859</b>	<b>73,486,853</b>	<b>69,457</b>	<b>81,356</b>	<b>60,554,316</b>	<b>73,568,209</b>
<b>LIABILITIES</b>						
Current liabilities	51,747,130	46,945,904	404,956	401,463	52,152,086	47,347,367
Noncurrent liabilities	439,609,885	512,830,139	377,187	434,982	439,987,072	513,265,121
<b>TOTAL LIABILITIES</b>	<b>491,357,015</b>	<b>559,776,043</b>	<b>782,143</b>	<b>836,445</b>	<b>492,139,158</b>	<b>560,612,488</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>54,030,505</b>	<b>6,566,936</b>	<b>62,570</b>	<b>6,804</b>	<b>54,093,075</b>	<b>6,573,740</b>
<b>NET POSITION</b>						
Invested in capital assets, net of related debt	186,739,176	167,879,639	857,111	952,350	187,596,287	168,831,989
Restricted for debt service	22,773,119	18,209,535	-	-	22,773,119	18,209,535
Unrestricted (deficit)	(157,571,968)	(146,999,679)	1,093,292	983,246	(156,478,676)	(146,016,433)
<b>TOTAL NET POSITION</b>	<b>\$ 51,940,327</b>	<b>\$ 39,089,495</b>	<b>\$1,950,403</b>	<b>\$1,935,596</b>	<b>\$ 53,890,730</b>	<b>\$ 41,025,091</b>

The District's total assets as of June 30, 2020 were \$539,568,647 of which \$195,019,329 or 36.14% consisted of unrestricted cash and investments and \$307,380,468 or 56.97% consisted of the District's net investment in capital assets. The District's total liabilities as of June 30, 2020 were \$492,139,158 of which \$128,670,133 or 26.15% consisted of general obligation debt used to acquire and construct capital assets and \$288,835,822 or 58.69% consisted of the actuarially determined net pension liability.



# DOWNINGTOWN AREA SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2020

The District had a deficit in unrestricted net position of \$156,478,676 at June 30, 2020 which is primarily due to the recognition of the District's PSERS obligation. However, the total net position is a positive \$53,890,730 due to the excess of the District's assets and deferred outflows over liabilities and deferred inflows.

The District's net position invested in capital assets net of accumulated depreciation, less any related debt used to acquire those assets that is still outstanding, was \$187,596,287 as of June 30, 2020. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. 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, 2020, the District's net investment in capital assets, increased by \$18,764,298 because the debt used to acquire the capital assets is being repaid faster than the capital assets are being depreciated, and capital assets were purchased with sources other than long-term debt.

The following table presents condensed information for the Statement of Activities of the District for 2020 and 2019:

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<b>REVENUES</b>						
Program services						
Charges for services	\$ 2,356,415	\$ 2,838,999	\$ 2,626,498	\$ 3,506,241	\$ 4,982,913	\$ 6,345,240
Operating grants and contributions	40,675,386	38,790,499	743,094	668,152	41,418,480	39,458,651
Capital grants and contributions	-	-	-	15,426	-	15,426
General revenues						
Property taxes	146,833,321	144,276,674	-	-	146,833,321	144,276,674
Other taxes	20,181,229	21,150,962	-	-	20,181,229	21,150,962
Grants, subsidies and contributions not restricted	19,167,645	18,661,194	-	-	19,167,645	18,661,194
Investment earnings	7,036,447	6,847,355	28,115	35,190	7,064,562	6,882,545
Miscellaneous revenue	263,901	291,967	1,344	-	265,245	291,967
Gain on sale of capital assets	278,041	44,245	-	-	278,041	44,245
<b>TOTAL REVENUES</b>	<b>236,792,385</b>	<b>232,901,895</b>	<b>3,399,051</b>	<b>4,225,009</b>	<b>240,191,436</b>	<b>237,126,904</b>
<b>EXPENSES</b>						
Instruction	140,265,653	148,059,553	-	-	140,265,653	148,059,553
Instructional student support	18,769,992	20,112,609	-	-	18,769,992	20,112,609
Administrative and financial support	19,400,742	20,987,331	-	-	19,400,742	20,987,331
Operation and maintenance of plant services	10,975,301	15,357,114	-	-	10,975,301	15,357,114
Pupil transportation	10,982,612	12,197,773	-	-	10,982,612	12,197,773
Student activities	3,673,941	4,432,212	-	-	3,673,941	4,432,212
Community services	66,670	79,945	-	-	66,670	79,945
Interest and amortization expense related to noncurrent liabilities	6,206,228	8,595,051	-	-	6,206,228	8,595,051
Unallocated depreciation expense	13,600,414	13,367,363	-	-	13,600,414	13,367,363
Food services	-	-	3,384,244	4,269,555	3,384,244	4,269,555
<b>TOTAL EXPENSES</b>	<b>223,941,553</b>	<b>243,188,951</b>	<b>3,384,244</b>	<b>4,269,555</b>	<b>227,325,797</b>	<b>247,458,506</b>
<b>Change in net position before transfers</b>	<b>12,850,832</b>	<b>(10,287,056)</b>	<b>14,807</b>	<b>(44,546)</b>	<b>12,865,639</b>	<b>(10,331,602)</b>
<b>TRANSFERS</b>	<b>-</b>	<b>(4,650)</b>	<b>-</b>	<b>4,650</b>	<b>-</b>	<b>-</b>
<b>CHANGE IN NET POSITION</b>	<b>\$ 12,850,832</b>	<b>\$ (10,291,706)</b>	<b>\$ 14,807</b>	<b>\$ (39,896)</b>	<b>\$ 12,865,639</b>	<b>\$ (10,331,602)</b>

# DOWNINGTOWN AREA SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2020

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

### Governmental Activities

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Expenses - Governmental Activities				
Instruction	\$ 140,265,653	\$ 148,059,553	\$ 114,920,518	\$ 124,095,739
Instructional student support	18,769,992	20,112,609	16,364,977	17,862,513
Administrative and financial support	19,400,742	20,987,331	17,409,325	19,058,876
Operation and maintenance of plant services	10,975,301	15,357,114	9,057,094	13,650,131
Pupil transportation	10,982,612	12,197,773	7,312,716	8,408,209
Student activities	3,673,941	4,432,212	1,467,103	1,944,494
Community services	66,670	79,945	66,670	79,945
Interest and amortization expense related to noncurrent liabilities	6,206,228	8,595,051	710,935	3,092,183
Unallocated depreciation expense	13,600,414	13,367,363	13,600,414	13,367,363
<b>TOTAL EXPENSES</b>	<u>\$ 223,941,553</u>	<u>\$ 243,188,951</u>	180,909,752	201,559,453
Less: Grants, subsidies and contributions not restricted			(19,167,645)	(18,661,194)
<b>AMOUNT NEEDED TO BE FUNDED BY OTHER REVENUE SOURCES</b>			<u>\$ 161,742,107</u>	<u>\$ 182,898,259</u>

The following table reflects condensed financial activities of the food service program, the only business-type activity of the District. The negative net cost of services reflects the amount that total revenues exceeded total expenses.

### Business-Type Activities

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Expenses - Business-Type Activities				
Food Services	<u>\$ 3,384,244</u>	<u>\$ 4,269,555</u>	<u>\$ 14,652</u>	<u>\$ 79,736</u>

## FINANCIAL ANALYSIS OF THE DISTRICT – GOVERNMENTAL FUNDS

### GENERAL FUND

The General Fund is the District's primary operating fund. At the conclusion of the 2019-2020 fiscal year, the General Fund fund balance was \$18,779,482 representing an increase of \$585,746 from the prior year. The increase in the District's General Fund fund balance is a result of revenues over expenditures of \$11,889,785, reduced by other net financing uses of \$11,304,039 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 2019-2020 fiscal year.

At June 30, 2020, the District reported an unassigned fund balance of \$18,465,109. The unassigned fund balance represents 8% of the 2020-2021 General Fund budgeted expenditures which is in accordance with guidelines prescribed by the Pennsylvania Department of Education.

# DOWNINGTOWN AREA SCHOOL DISTRICT

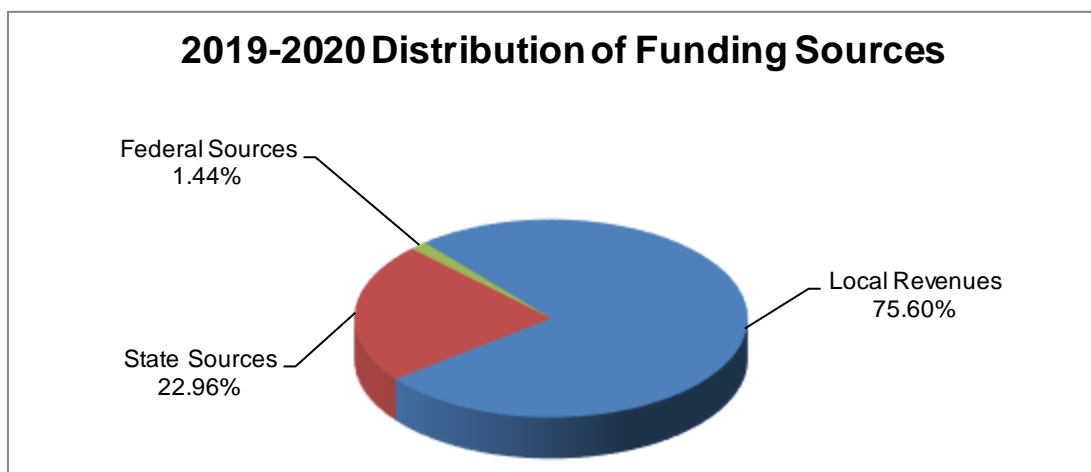
## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2020

### General Fund Revenues

General Fund revenues, which totaled \$228,417,537, increased \$2,792,467 or 1.24% over prior year revenues. The following table reflects a comparison of current year revenues to prior year revenues and 2019-2020 budgeted amounts as follows:

	<u>Revenue 2020</u>	<u>% of Total</u>	<u>Increase (Decrease) From 2019</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Local sources	\$ 172,674,069	75.60%	\$ 337,789	\$ (184,751)
State sources	52,437,987	22.96%	2,151,874	194,590
Federal sources	<u>3,305,481</u>	<u>1.44%</u>	<u>302,804</u>	<u>323,717</u>
<b>TOTAL REVENUES</b>	<u><b>\$ 228,417,537</b></u>	<u><b>100.00%</b></u>	<u><b>\$ 2,792,467</b></u>	<u><b>\$ 333,556</b></u>



Revenue from local sources primarily includes revenue from real estate taxes levied by the District. The increase over prior year is primarily driven by current real estate taxes as a result of assessment growth. The state source revenue increase over the prior year is primarily due to an increase in the PSERS reimbursement for increased employer contributions, an increase in funding for court placed students in the District, and an increase in the basic education subsidy. The federal source revenue increase over the prior year is primarily due to funding received by the District from the CARES Act.

The negative final budget variance in local revenue was primarily caused by lower than budgeted revenue received from real estate transfer taxes, delinquent real estate taxes, and interim real estate taxes. The positive final budget variance in state revenue was primarily caused by higher than budgeted funding for court placed students in the District. The positive final budget variance in federal revenue was caused by unbudgeted funding received by the District from the CARES Act.

### General Fund Expenditures and Other Financing Uses

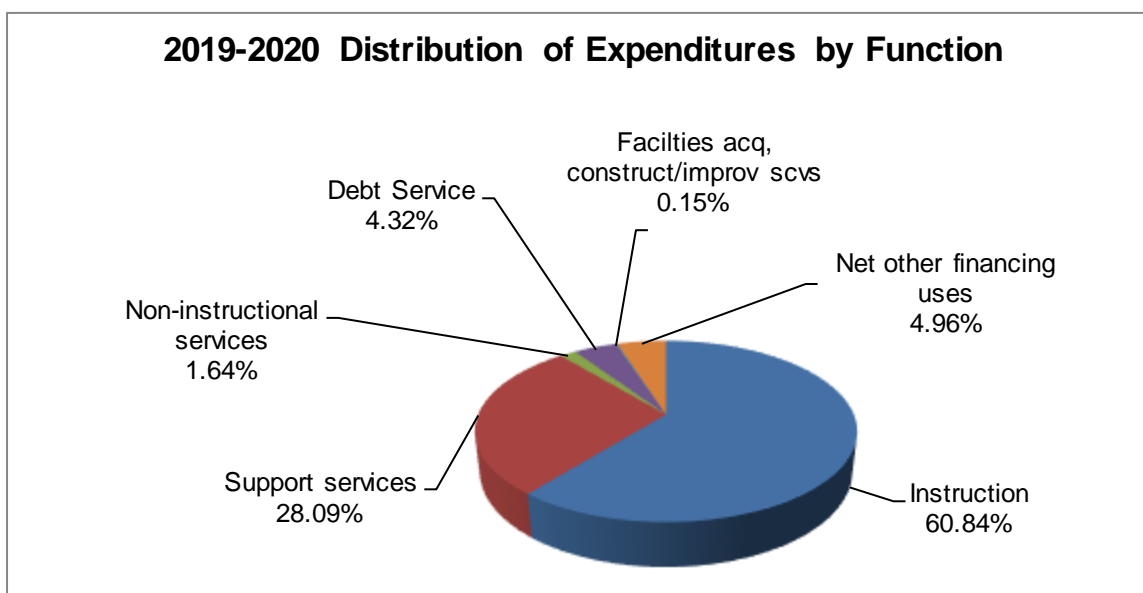
General Fund expenditures and net other financing uses, which total \$227,831,791, increased \$2,706,004 over the 2018-2019 expenditures. They were a net \$252,190 under final budget after a \$11,699,163 transfer to the Capital Projects Fund, which is included in net other financing uses below. The expenditures are segregated into various programs depending on the functions of the activity. These programs and the costs associated with each are compared to the prior year expenditures and other financing uses, and the final 2018-2019 budgeted amounts as follows:

## DOWNINGTOWN AREA SCHOOL DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2020

	<b>Expenditures 2020</b>	<b>% of Total</b>	<b>Increase (Decrease) From 2019</b>	<b>Variance with Final Budget - Positive (Negative)</b>
Instruction	\$ 138,616,271	60.84%	\$ 3,849,564	\$ 1,446,605
Support services	63,990,979	28.09%	917,158	4,374,264
Non-instructional services	3,741,356	1.64%	(383,740)	194,118
Facilities acq, construct/improv scvs	332,382	0.15%	53,380	2,618
Debt service	9,846,764	4.32%	6,879	2,000,000
Net other financing uses	11,304,039	4.96%	(1,737,237)	(7,765,415)
<b>TOTAL EXPENDITURES</b>	<b>\$ 227,831,791</b>	<b>100.00%</b>	<b>\$ 2,706,004</b>	<b>\$ 252,190</b>



The increase in the instruction and support services expenses is primarily due to increases in employee salary and PSERS costs. The decrease in non-instructional services is primarily caused by reduced expenditures due to the closing of schools due to COVID-19. The decrease in net other financing uses compared to the prior year is primarily due to a decrease in the amount transferred out of the General Fund into the Capital Projects Fund.

The positive final budget variances for instruction, support services, and non-instructional services were primarily caused by reduced spending due to the closing of schools due to COVID-19, and lower healthcare claims costs than budgeted. The debt service positive budget variance is due to a portion of debt service paid by the Debt Service Fund, causing the General Fund to be under budget. The net other financing uses negative final budget variance was due to the actual transfer from the General Fund to the Capital Projects Fund being higher than the budgeted transfer.

### CAPITAL PROJECTS FUND

The Capital Projects Fund accounts for construction and renovation activity associated with the District's buildings and major equipment purchases. The Capital Projects Fund receives the majority of its revenues from the issuance of general obligation debt and transfers from the General Fund. At June 30, 2020, the District reported a fund balance of \$122,175,347, which is a decrease over the prior year of \$25,962,860. The change was due to \$40,218,067 in capital expenditures primarily for construction of the new Uwchlan Hills Elementary school and the STEM Academy addition. These expenditures were offset by an \$11,699,163 transfer in from the General Fund and interest and other income of \$2,556,044. The total Capital Projects Fund fund balance as of June 30, 2020 is committed for future capital expenditures.

# **DOWNINGTOWN AREA SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED**

**June 30, 2020**

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### **DEBT SERVICE FUND**

The Debt Service Fund accounts for financial resources committed for the payment of long-term debt principal interest and other related costs. During 2019-2020, the Debt Service Fund fund balance decreased by \$1,509,219 primarily due to net debt service payments. At June 30, 2020, the Debt Service Fund reported a fund balance of \$46,594,752 which will be used for a portion of future debt service needs.

### **CAPITAL ASSETS**

The District's net investment in capital assets for its governmental and business-type activities as of June 30, 2020 amounted to \$307,380,468 net of accumulated depreciation. This investment in capital assets includes land, land improvements, buildings and improvements, furniture and equipment and vehicles. The total increase in the District's investment in capital assets, net of accumulated depreciation, for the current fiscal year was \$26,656,872 or 9.50%. The majority of the increase was the result of construction expense for the new Uwchlan Hills elementary school and the STEM Academy addition.

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

### **LONG-TERM DEBT AND NONCURRENT LIABILITIES**

At the end of the current fiscal year, the District had total general obligation debt of \$128,670,133 consisting of \$80,280,000 in bonds payable, \$40,069,000 in qualified school construction bonds and net deferred credits of \$8,321,133. The entire amount is backed by the full faith and credit of the District. The District issues bonds to finance capital expenditures or to finance the retirement (refund) of existing debt. The District's general obligation debt decreased by a net amount of \$10,003,073 or 7.21% during the fiscal year.

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

State statutes limit the amount of general obligation debt the District may issue up to 225% of its borrowing base capacity which is calculated as the annual arithmetic average of the total revenues for the preceding three fiscal years. The current debt limitation for the District is \$504,718,467 which exceeds the District's outstanding general obligation debt as of June 30, 2020.

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 is an actuarially determined estimate of the unfunded cost of the pension plan obligation which totaled \$288,835,822 as of June 30, 2020. The District's net pension liability decreased by \$62,128,477 or 17.70% during the fiscal year.

The District reports a liability for its other post-employment benefits ("**OPEB**") related to its single employer OPEB plan and its participation in the PSERS health insurance premium assistance program. The District's net OPEB liability is an actuarially determined estimate of the unfunded cost of the OPEB obligation which totaled \$28,879,682 as of June 30, 2020. The District's net OPEB liability decreased by \$1,744,615 or 5.70% during the fiscal year.

Other noncurrent liabilities consist of the District's liability for compensated absences which totaled \$3,944,508 as of June 30, 2020. These liabilities increased by \$938,115 or 31.20% 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

June 30, 2020

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### FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- COVID-19 has continued into the 2020-2021 school year and significantly change the way the District operates and delivers education. It may also have an adverse impact on the District's revenues.
- The District's student enrollment at the beginning of 2020-2021 was 12,926 and is projected to increase 1% to 2% each year over the next few years.
- The District adopted a balanced 2020-2021 budget totaling \$230,812,460 without a tax increase for the eighth consecutive year.
- 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 2020-2021 is 2.60% and 3.00% for 2021-2022.
- Increases in the level of state funding that the District will receive in future years is uncertain, and is influenced by the political decisions and economic climate influencing the state budgets.
- The District's contributions to PSERS will continue to be significant over the next several years. PSERS projects the following future percentages of employee salaries that the District will need to fund:

2020-2021	34.51%
2021-2022	34.95%
2022-2023	35.62%
2023-2024	36.12%
2024-2025	36.60%

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

- The District is well positioned to handle any future fiscal challenges due to its strong fund balances, and it will continue to practice prudent fiscal management practices to ensure sufficient funding for its operations and capital spending.

### CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to David Matyas, Business Manager, or Michael DeAngelis, Assistant Director of Finance, Downingtown Area School District, 540 Trestle Place, Downingtown, PA 19335.

# DOWNINGTOWN AREA SCHOOL DISTRICT

## STATEMENT OF NET POSITION

June 30, 2020 with summarized comparative totals for 2019

	Governmental Activities	Business-type Activities	Totals	
			2020	2019
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
<b>CURRENT ASSETS</b>				
Cash	\$ 97,890,129	\$ 971,838	\$ 98,861,967	\$ 55,289,008
Investments	95,357,362	800,000	96,157,362	167,637,967
Restricted assets				
Cash held by fiscal agent	-	-	-	4,822
Investments held by fiscal agent	22,773,119	-	22,773,119	18,204,713
Taxes receivable	3,199,922	-	3,199,922	3,447,095
Due from other governments	9,013,192	68,580	9,081,772	7,820,170
Internal balances	(19,958)	19,958	-	-
Other receivables	1,791,492	3,017	1,794,509	1,422,035
Prepaid expenses	314,373	-	314,373	90,311
Inventories	-	5,155	5,155	3,393
<b>Total current assets</b>	<b>230,319,631</b>	<b>1,868,548</b>	<b>232,188,179</b>	<b>253,919,514</b>
<b>NONCURRENT ASSETS</b>				
Capital assets, net	306,523,357	857,111	307,380,468	280,723,596
<b>Total assets</b>	<b>536,842,988</b>	<b>2,725,659</b>	<b>539,568,647</b>	<b>534,643,110</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charges OPEB - single employer	1,578,565	-	1,578,565	1,711,782
Deferred charges on proportionate share of OPEB - PSERS	2,385,653	2,813	2,388,466	2,459,891
Deferred charges on proportionate share of pension - PSERS	56,520,641	66,644	56,587,285	69,396,536
<b>Total deferred outflows of resources</b>	<b>60,484,859</b>	<b>69,457</b>	<b>60,554,316</b>	<b>73,568,209</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	12,487,146	177,969	12,665,115	8,225,453
Accrued salaries, payroll withholdings and benefits	27,178,830	-	27,178,830	27,326,720
Accrued interest payable	1,221,014	-	1,221,014	1,454,613
Bonds and notes payable - due within one year	10,343,073	-	10,343,073	10,003,074
Unearned revenue	517,067	226,987	744,054	337,507
<b>Total current liabilities</b>	<b>51,747,130</b>	<b>404,956</b>	<b>52,152,086</b>	<b>47,347,367</b>
<b>NONCURRENT LIABILITIES</b>				
Bonds and notes payable - due in more than one year	118,327,060	-	118,327,060	128,670,132
Compensated absences	3,922,953	21,555	3,944,508	3,006,393
OPEB liability - single employer	15,748,559	-	15,748,559	15,381,235
Net OPEB liability - PSERS	13,115,658	15,465	13,131,123	15,243,062
Net pension liability - PSERS	288,495,655	340,167	288,835,822	350,964,299
<b>Total noncurrent liabilities</b>	<b>439,609,885</b>	<b>377,187</b>	<b>439,987,072</b>	<b>513,265,121</b>
<b>Total liabilities</b>	<b>491,357,015</b>	<b>782,143</b>	<b>492,139,158</b>	<b>560,612,488</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred credits OPEB - single employer	965,075	-	965,075	563,740
Deferred credits on proportionate share of OPEB - PSERS	2,448,113	2,887	2,451,000	578,000
Deferred credits on proportionate share of pension - PSERS	50,617,317	59,683	50,677,000	5,432,000
<b>Total deferred inflows of resources</b>	<b>54,030,505</b>	<b>62,570</b>	<b>54,093,075</b>	<b>6,573,740</b>
<b>NET POSITION</b>				
Net investment in capital assets	186,739,176	857,111	187,596,287	168,831,989
Restricted for debt service	22,773,119	-	22,773,119	18,209,535
Unrestricted (deficit)	(157,571,968)	1,093,292	(156,478,676)	(146,016,433)
<b>Total net position</b>	<b>\$ 51,940,327</b>	<b>\$ 1,950,403</b>	<b>\$ 53,890,730</b>	<b>\$ 41,025,091</b>

See accompanying notes

# DOWNINGTOWN AREA SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

Year ended June 30, 2020 with summarized comparative totals for 2019

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals	
							2020	2019
<b>GOVERNMENTAL ACTIVITIES</b>								
Instruction	\$ 140,265,653	\$ 40,914	\$ 25,304,221	\$ -	\$ (114,920,518)	\$ -	\$ (114,920,518)	\$ (124,095,740)
Instructional student support	18,769,992	-	2,405,015	-	(16,364,977)	-	(16,364,977)	(17,862,513)
Administrative and financial support services	19,400,742	-	1,991,417	-	(17,409,325)	-	(17,409,325)	(19,058,876)
Operation and maintenance of plant services	10,975,301	503,357	1,414,850	-	(9,057,094)	-	(9,057,094)	(13,650,131)
Pupil transportation	10,982,612	-	3,669,896	-	(7,312,716)	-	(7,312,716)	(8,408,209)
Student activities	3,673,941	1,812,144	394,694	-	(1,467,103)	-	(1,467,103)	(1,944,494)
Community services	66,670	-	-	-	(66,670)	-	(66,670)	(79,945)
Interest and amortization expense related to noncurrent liabilities	6,206,228	-	5,495,293	-	(710,935)	-	(710,935)	(3,092,183)
Unallocated depreciation	13,600,414	-	-	-	(13,600,414)	-	(13,600,414)	(13,367,363)
<b>Total governmental activities</b>	<u>223,941,553</u>	<u>2,356,415</u>	<u>40,675,386</u>	<u>-</u>	<u>(180,909,752)</u>	<u>-</u>	<u>(180,909,752)</u>	<u>(201,559,454)</u>
<b>BUSINESS-TYPE ACTIVITIES</b>								
Food service	<u>3,384,244</u>	<u>2,626,498</u>	<u>743,094</u>	<u>-</u>	<u>-</u>	<u>(14,652)</u>	<u>(14,652)</u>	<u>(79,736)</u>
<b>Total primary government</b>	<u>\$ 227,325,797</u>	<u>\$ 4,982,913</u>	<u>\$ 41,418,480</u>	<u>\$ -</u>	<u>(180,909,752)</u>	<u>(14,652)</u>	<u>(180,924,404)</u>	<u>(201,639,190)</u>
<b>GENERAL REVENUES</b>								
Property taxes levied for general purposes					146,833,321	-	146,833,321	144,276,674
Other taxes levied for general purposes					20,181,229	-	20,181,229	21,150,962
Grants and entitlements not restricted to specific programs					19,167,645	-	19,167,645	18,661,194
Investment earnings					7,036,447	28,115	7,064,562	6,882,545
Miscellaneous income					263,901	1,344	265,245	291,967
Gain on sale of capital assets					278,041	-	278,041	44,245
<b>TRANSFERS</b>					<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total general revenues and transfers</b>					<u>193,760,584</u>	<u>29,459</u>	<u>193,790,043</u>	<u>191,307,587</u>
<b>CHANGE IN NET POSITION</b>					12,850,832	14,807	12,865,639	(10,331,603)
<b>NET POSITION</b>								
Beginning of year					<u>39,089,495</u>	<u>1,935,596</u>	<u>41,025,091</u>	<u>51,356,694</u>
<b>End of year</b>					<u>\$ 51,940,327</u>	<u>\$ 1,950,403</u>	<u>\$ 53,890,730</u>	<u>\$ 41,025,091</u>

See accompanying notes



# DOWNINGTOWN AREA SCHOOL DISTRICT

## BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2020 with summarized comparative totals for 2019

	General Fund	Capital Projects Fund	Debt Service Fund	Totals	
				2020	2019
<b>ASSETS</b>					
Cash	\$ 40,228,613	\$ 37,839,883	19,821,633	\$ 97,890,129	\$ 54,510,143
Investments	11,393,000	79,964,362	4,000,000	95,357,362	166,837,967
Restricted assets:					
Cash held by fiscal agent	-	-	-	-	4,822
Investments held by fiscal agent	-	-	22,773,119	22,773,119	18,204,713
Taxes receivable	3,199,922	-	-	3,199,922	3,447,095
Due from other funds	32,058	11,699,163	-	11,731,221	13,064,426
Due from other governments	9,013,192	-	-	9,013,192	7,740,553
Other receivables	1,788,492	3,000	-	1,791,492	1,372,854
Prepaid items	314,373	-	-	314,373	90,311
<b>Total assets</b>	<b>\$ 65,969,650</b>	<b>\$ 129,506,408</b>	<b>\$ 46,594,752</b>	<b>\$ 242,070,810</b>	<b>\$ 265,272,884</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 5,185,229	\$ 7,301,917	\$ -	\$ 12,487,146	\$ 7,982,106
Due to other funds	11,722,035	29,144	-	11,751,179	13,098,509
Accrued salaries, payroll withholdings and benefits	27,178,830	-	-	27,178,830	27,326,720
Unearned revenue	517,067	-	-	517,067	179,391
<b>Total liabilities</b>	<b>44,603,161</b>	<b>7,331,061</b>	<b>-</b>	<b>51,934,222</b>	<b>48,586,726</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Property taxes received in advance	-	-	-	-	-
Unavailable revenues - property taxes	2,587,007	-	-	2,587,007	2,250,244
<b>Total deferred inflows</b>	<b>2,587,007</b>	<b>-</b>	<b>-</b>	<b>2,587,007</b>	<b>2,250,244</b>
<b>FUND BALANCES</b>					
Nonspendable					
Prepaid expenditures	314,373	-	-	314,373	90,311
Restricted for					
Debt service	-	-	22,773,119	22,773,119	18,209,535
Committed to					
Capital projects	-	122,175,347	-	122,175,347	148,138,207
Debt service	-	-	23,821,633	23,821,633	29,894,436
Unassigned	18,465,109	-	-	18,465,109	18,103,425
<b>Total fund balances</b>	<b>18,779,482</b>	<b>122,175,347</b>	<b>46,594,752</b>	<b>187,549,581</b>	<b>214,435,914</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 65,969,650</b>	<b>\$ 129,506,408</b>	<b>\$ 46,594,752</b>	<b>\$ 242,070,810</b>	<b>\$ 265,272,884</b>

See accompanying notes

## DOWNINGTOWN AREA SCHOOL DISTRICT

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

June 30, 2020

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<b>TOTAL GOVERNMENTAL FUND BALANCES</b>		<b>\$ 187,549,581</b>
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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	\$ 471,763,607	
Accumulated depreciation	<u>(165,240,250)</u>	306,523,357

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

Deferred outflows of resources - pension and OPEB	60,484,859	
Deferred inflows of resources - pension and OPEB	<u>(54,030,505)</u>	6,454,354

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.

2,587,007

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	(128,670,133)	
Compensated absences	(3,922,953)	
OPEB liability - single employer	(15,748,559)	
Net OPEB liability - PSERS	(13,115,658)	
Net pension liability - PSERS	<u>(288,495,655)</u>	(449,952,958)

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.

(1,221,014)

<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>		<b><u>\$ 51,940,327</u></b>
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# **DOWNINGTOWN AREA SCHOOL DISTRICT**

## **STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**

**Year ended June 30, 2020 with summarized comparative totals for 2019**

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Debt Service Fund</b>	<b>Totals</b>	
				<b>2020</b>	<b>2019</b>
<b>REVENUES</b>					
Local sources	\$ 172,674,069	\$ 2,491,640	\$ 5,086,917	\$ 180,252,626	\$ 179,358,734
State sources	52,437,987	-	-	52,437,987	50,286,113
Federal sources	3,305,481	-	-	3,305,481	3,002,677
<b>Total revenues</b>	<u>228,417,537</u>	<u>2,491,640</u>	<u>5,086,917</u>	<u>235,996,094</u>	<u>232,647,524</u>
<b>EXPENDITURES</b>					
Current					
Instruction	138,616,271	3,687,024	-	142,303,295	138,757,924
Support services	63,990,979	435,777	-	64,426,756	64,159,930
Operation of noninstructional services	3,741,356	69,926	-	3,811,282	4,212,890
Facilities acquisition, construction and improvement services	332,382	36,025,340	-	36,357,722	8,401,868
Debt service	9,846,764	-	6,596,136	16,442,900	17,457,753
<b>Total expenditures</b>	<u>216,527,752</u>	<u>40,218,067</u>	<u>6,596,136</u>	<u>263,341,955</u>	<u>232,990,365</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>11,889,785</u>	<u>(37,726,427)</u>	<u>(1,509,219)</u>	<u>(27,345,861)</u>	<u>(342,841)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of/compensation for capital assets	278,039	-	-	278,039	44,245
Refund of prior year expenditures	117,370	64,404	-	181,774	164,801
Refund of prior year revenues	(285)	-	-	(285)	(18,379)
Issuance of debt	-	-	-	-	30,000,000
Issuance of debt - refunding	-	-	-	-	43,910,000
Payment of debt - refunding	-	-	-	-	(50,115,000)
Bond premiums	-	-	-	-	6,219,795
Transfers in (reimbursement)	-	9,371,895	-	9,371,895	9,034,814
Transfers in (non-reimbursement)	-	2,327,268	-	2,327,268	4,168,696
Transfers out (reimbursement)	(9,371,895)	-	-	(9,371,895)	(9,039,464)
Transfers out (non-reimbursement)	(2,327,268)	-	-	(2,327,268)	(4,168,696)
<b>Total other financing sources (uses)</b>	<u>(11,304,039)</u>	<u>11,763,567</u>	<u>-</u>	<u>459,528</u>	<u>30,200,812</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>585,746</u>	<u>(25,962,860)</u>	<u>(1,509,219)</u>	<u>(26,886,333)</u>	<u>29,857,971</u>
<b>FUND BALANCES</b>					
Beginning of year	<u>18,193,736</u>	<u>148,138,207</u>	<u>48,103,971</u>	<u>214,435,914</u>	<u>184,577,943</u>
<b>End of year</b>	<u>\$ 18,779,482</u>	<u>\$ 122,175,347</u>	<u>\$ 46,594,752</u>	<u>\$ 187,549,581</u>	<u>\$ 214,435,914</u>

**See accompanying notes**

## DOWNINGTOWN AREA SCHOOL DISTRICT

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

Year ended June 30, 2020

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<b>NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS</b>		<b>\$ (26,886,333)</b>
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Amounts reported for governmental activities in the statement of activities are different because:

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

Capital outlay expenditures	\$ 40,352,525	
Depreciation expense	<u>(13,600,414)</u>	26,752,111

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

Deferred inflows of resources June 30, 2019	(2,250,244)	
Deferred inflows of resources June 30, 2020	<u>2,587,007</u>	336,763

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	8,820,000	
Amortization of bond premiums and discounts	<u>1,183,073</u>	10,003,073

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	233,599	
Current year change in compensated absences	(936,922)	
Current year change in net pension liability - PSERS and deferred outflows and inflows	4,082,491	
Current year change in OPEB liability - single employer and deferred outflows and inflows	(901,876)	
Current year change in net OPEB liability - PSERS and deferred outflows and inflows	<u>167,926</u>	<u>2,645,218</u>

<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>		<b><u>\$ 12,850,832</u></b>
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See accompanying notes

# DOWNINGTOWN AREA SCHOOL DISTRICT

## STATEMENT OF NET POSITION - PROPRIETARY FUND

June 30, 2020 with summarized comparative totals for 2019

	<u>Major Fund</u>	
	<u>Food Service Fund</u>	
	<u>2020</u>	<u>2019</u>
<b>ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 971,838	\$ 778,865
Investments	800,000	800,000
Due from other funds	22,872	35,537
Due from other governments	68,580	79,617
Other receivables	3,017	49,181
Inventories	5,155	3,393
<b>Total current assets</b>	<u>1,871,462</u>	<u>1,746,593</u>
<b>NONCURRENT ASSETS</b>		
Capital assets, net	<u>857,111</u>	<u>952,350</u>
<b>Total assets</b>	<u>2,728,573</u>	<u>2,698,943</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>		
Deferred charges on proportionate share of pension - PSERS	66,644	78,571
Deferred charges on proportionate share of OPEB - PSERS	<u>2,813</u>	<u>2,785</u>
<b>Total deferred outflows of resources</b>	<u>69,457</u>	<u>81,356</u>
<b>LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION</b>		
<b>LIABILITIES</b>		
Accounts payable	177,969	243,347
Due to other funds	2,914	1,454
Unearned revenue	<u>226,987</u>	<u>158,116</u>
<b>Total current liabilities</b>	<u>407,870</u>	<u>402,917</u>
<b>NONCURRENT LIABILITIES</b>		
Accrued compensated absences	21,555	20,362
Net OPEB liability - PSERS	15,465	17,258
Net pension liability - PSERS	<u>340,167</u>	<u>397,362</u>
<b>Total noncurrent liabilities</b>	<u>377,187</u>	<u>434,982</u>
<b>Total liabilities</b>	<u>785,057</u>	<u>837,899</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred credits on proportionate share of pension - PSERS	59,683	6,150
Deferred credits on proportionate share of OPEB - PSERS	<u>2,887</u>	<u>654</u>
<b>Total deferred inflows of resources</b>	<u>62,570</u>	<u>6,804</u>
<b>NET POSITION</b>		
Net investment in capital assets	857,111	952,350
Unrestricted	<u>1,093,292</u>	<u>983,246</u>
<b>Total net position</b>	<u>\$ 1,950,403</u>	<u>\$ 1,935,596</u>

See accompanying notes

# DOWNINGTOWN AREA SCHOOL DISTRICT

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

Year ended June 30, 2020 with summarized comparative totals for 2019

	<b>Major Fund</b>	
	<b>Food Service Fund</b>	
	<b><u>2020</u></b>	<b><u>2019</u></b>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 2,626,498	\$ 3,506,241
<b>OPERATING EXPENSES</b>		
Salaries	117,533	108,051
Employee benefits	108,023	112,503
Purchased services - food management	1,608,439	2,231,477
Purchased property services	84,144	75,153
Other purchased services	40,277	50,251
Supplies - food costs	1,235,824	1,489,499
Depreciation	125,351	124,851
Other	64,653	77,770
<b>Total operating expenses</b>	<b><u>3,384,244</u></b>	<b><u>4,269,555</u></b>
<b>Operating loss</b>	<b><u>(757,746)</u></b>	<b><u>(763,314)</u></b>
<b>NONOPERATING REVENUES</b>		
Earnings on investments	28,115	35,190
Local sources	1,344	-
State sources	70,237	80,953
Federal sources	672,857	587,199
<b>Total nonoperating revenues</b>	<b><u>772,553</u></b>	<b><u>703,342</u></b>
<b>Change in net position before capital contribution and transfers</b>	<b>14,807</b>	<b>(59,972)</b>
<b>Capital contribution</b>	<b>-</b>	<b>15,426</b>
<b>Transfers in</b>	<b><u>-</u></b>	<b><u>4,650</u></b>
<b>CHANGE IN NET POSITION</b>	<b>14,807</b>	<b>(39,896)</b>
<b>NET POSITION</b>		
Beginning of year	<u>1,935,596</u>	<u>1,975,492</u>
<b>End of year</b>	<b><u>\$ 1,950,403</u></b>	<b><u>\$ 1,935,596</u></b>

See accompanying notes

# DOWNINGTOWN AREA SCHOOL DISTRICT

## STATEMENT OF CASH FLOWS - PROPRIETARY FUND

Year ended June 30, 2020 with summarized comparative totals for 2019

	<b>Major Fund</b>	
	<b>Food Service Fund</b>	
	<b><u>2020</u></b>	<b><u>2019</u></b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from charges for services	\$ 2,741,533	\$ 3,525,798
Cash payments to employees for services	(215,686)	(208,787)
Cash payments to suppliers for goods and services	(2,910,441)	(3,703,030)
Cash payments for other operating expenses	(64,653)	(77,770)
<b>Net cash used for operating activities</b>	<b>(449,247)</b>	<b>(463,789)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State sources	70,237	73,300
Federal sources	572,636	416,692
Local sources	1,344	-
<b>Net cash provided by noncapital financing activities</b>	<b>644,217</b>	<b>489,992</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of capital assets	(30,112)	(25,354)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Earnings on investments	28,115	35,190
<b>Net increase in cash</b>	<b>192,973</b>	<b>36,039</b>
<b>CASH</b>		
Beginning of year	778,865	742,826
<b>Ending of year</b>	<b>\$ 971,838</b>	<b>\$ 778,865</b>
<b>Reconciliation of operating loss to net cash provided by (used for) operating activities:</b>		
Operating loss	\$ (757,746)	\$ (763,314)
<b>Adjustments to reconcile operating loss to net cash provided by (used for) operating activities</b>		
Depreciation	125,351	124,851
Donated commodities used	111,259	111,899
(Increase) decrease in		
Due from other funds	12,665	(14,272)
Other receivables	46,164	117,350
Inventories	(1,762)	(887)
Deferred outflows of resources	11,899	(26,723)
Increase (decrease) in		
Accounts payable	(65,379)	14,436
Due to other funds	1,460	(88,587)
Unearned revenue	68,871	22,968
Accrued compensated absences	1,193	(4,613)
Net OPEB liability	(1,793)	2,383
Net pension liability	(57,195)	36,788
Deferred inflows of resources	55,766	3,932
<b>Net cash used for operating activities</b>	<b>\$ (449,247)</b>	<b>\$ (463,789)</b>
<b>SUPPLEMENTAL DISCLOSURE</b>		
<b>Noncash noncapital financing activity</b>		
USDA donated commodities	\$ 111,259	\$ 111,899
<b>Noncash capital and related financing activity</b>		
Capital contribution	\$ -	\$ 15,426

See accompanying notes

# DOWNINGTOWN AREA SCHOOL DISTRICT

## STATEMENT OF NET POSITION - FIDUCIARY FUNDS

June 30, 2020

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	Private Purpose Trust	Agency
<b>ASSETS</b>		
Cash	<u>\$ 20,887</u>	<u>\$ 646,838</u>
<b>LIABILITIES</b>		
Due to student groups	-	\$ 643,962
Accounts payable	<u>-</u>	<u>2,876</u>
<b>Total liabilities</b>	<u>-</u>	<u>\$ 646,838</u>
<b>NET POSITION</b>		
Net position held in trust for scholarships	<u>\$ 20,887</u>	

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See accompanying notes



# DOWNINGTOWN AREA SCHOOL DISTRICT

## STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUND

Year ended June 30, 2020 with summarized comparative totals for 2019

	Private-Purpose Trust Fund	
	<u>2020</u>	<u>2019</u>
<b>ADDITIONS</b>		
Local contributions	\$ 5,424	\$ 6,349
<b>DEDUCTIONS</b>		
Scholarships awarded and fees paid	<u>3,390</u>	<u>10,000</u>
<b>CHANGE IN NET POSITION</b>	2,034	(3,651)
<b>NET POSITION</b>		
Beginning of year	<u>18,853</u>	<u>22,504</u>
<b>End of year</b>	<u>\$20,887</u>	<u>\$ 18,853</u>

See accompanying notes

# DOWNINGTOWN AREA SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

#### **Reporting Entity**

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

#### **Basis of Presentation**

##### ***Government-Wide Financial Statements***

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

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

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

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

# DOWNINGTOWN AREA SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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

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

### ***Fund Financial Statements***

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

### ***Governmental Funds***

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

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

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

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

### ***Revenue Recognition***

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

# DOWNINGTOWN AREA SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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### ***Expenditure Recognition***

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

### ***Proprietary Funds***

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

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

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

### ***Fiduciary Funds***

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

### **Cash and Cash Equivalents**

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

### **Investments**

Investments are stated at fair value based upon quoted market prices, except for certificates of deposit which are recorded at cost, which approximates fair value.

### **Fair Value Measurements of Assets and Liabilities**

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

# DOWNINGTOWN AREA SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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

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

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

### **Interfund Receivables and Payables**

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

### **Property Taxes**

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

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

The County Board of Assessments determines assessed valuations of property and the District's taxes are billed and collected by a third party tax collector. The tax on real estate for public school purposes for fiscal 2019-2020 was 27.182 mills (\$27.182 for \$1,000 of assessed valuation) for Chester County. The District experiences very small losses from uncollectible property taxes. Property taxes constitute a lien against real property and usually can be collected in full when title transfers. Only balances that remain after tax sales are written off each year. Accordingly, an allowance for doubtful accounts has not been established by the District for property taxes receivable.

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

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

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

### **Prepaid Items and Inventories**

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

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

### **Unearned Revenues**

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

# DOWNINGTOWN AREA SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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### **Capital Assets**

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

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

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

Property, plant and equipment (net of salvage value) of the District is depreciated using the straight-line method over the following estimated useful lives: buildings and improvements – 15-50 years, land improvements – 15-40 years and furniture and equipment – 5-20 years.

### **Impairment of Long-Lived Assets**

The District evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances is outside the normal life cycle of the capital asset. If a capital asset is considered to be impaired, the amount of impairment is measured by the method that most reflects the decline in service utility of the capital asset at the lower of carrying value or fair value for impaired capital assets that will no longer be used by the District. No impairment losses were recognized in the year ended June 30, 2020.

### **Compensated Absences**

District policies permit employees to accumulate earned but unused vacation days. The liability for these compensated absences is recorded as a noncurrent liability in the government-wide financial statements. A liability for these amounts is recorded in the Governmental Funds financial statements only to the extent they have matured, for example, as a result of employee resignation and retirements.

### **Sick Leave**

Employees that retire under the Pennsylvania School Employees Retirement System ("**PSERS**") are paid at per diem rates ranging from \$40 to \$55 for each unused sick leave day.

### **Accrued Severance**

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

### **Vacation and Personal Days**

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

### **Long-Term Obligations**

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

# DOWNINGTOWN AREA SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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

### **Fund Equity**

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

#### ***Nonspendable***

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

#### ***Restricted***

Restricted fund balances are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

#### ***Committed***

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

#### ***Assigned***

Assigned fund balances are amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the Chief Financial Officer or (b) an appointed body (e.g., finance committee) or (c) an official to which the District has delegated the authority to assign, modify or rescind amounts to be used for specific purposes.

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

#### ***Unassigned***

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

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

# DOWNINGTOWN AREA SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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### Use of Estimates

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

### New Accounting Pronouncements

GASB Statement No. 84, *"Fiduciary Activities"* will be effective for the District for the year ended June 30, 2021. The objective of GASB Statement No. 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

GASB Statement No. 87, *"Leases"* will be effective for the District for the year ended June 30, 2022. The objective of GASB Statement No. 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB Statement No. 87 increases the usefulness of financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities.

GASB Statement No. 89, *"Accounting for Interest Cost Incurred Before the End of a Construction Period"*, will be effective for the District for the year ended June 30, 2022. The objectives of GASB Statement No. 89 are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. GASB Statement No. 89 establishes accounting required for interest cost incurred before the end of a construction period. Such interest costs includes all interest that previously was accounted for in accordance with the requirements of GASB Statement No. 62, *"Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements"*, which are superseded by GASB Statement No. 89. GASB Statement No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GASB Statement No. 89 also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with government fund accounting principles.

GASB Statement No. 90, *"Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61"*, will be effective for the District for the year ended June 30, 2021. The primary objectives of GASB Statement No. 90 are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.



# DOWNINGTOWN AREA SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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### (2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### **Budgetary Information**

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

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

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

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

### (3) DEPOSITS AND INVESTMENTS

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

#### **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, 2020, the carrying amount of the District's deposits was \$99,529,692 and the bank balance was \$102,017,575. The District is required by state statute to deposit funds in depositories that are either banks, banking institutions or trust companies located in the Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States, Commonwealth of Pennsylvania or any political subdivision. Under Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit. Of the bank balance, \$1,000,000 was covered by federal depository insurance, and \$88,720,928 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, 2020, 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.

# DOWNINGTOWN AREA SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

As of June 30, 2020, the District had the following investments:

<b>Investment Type</b>	<b>Fair Value</b>	<b>Investment Maturities (In Years)</b>			
		<b>Less than 1</b>	<b>1 – 5</b>	<b>6 – 10</b>	<b>11 – 15</b>
Certificates of deposit	\$ 70,357,362	\$70,357,362	\$ -	\$ -	\$ -
PSDLAF collateralized investment pools	25,800,000	25,800,000	-	-	-
U.S. Treasury strips	<u>22,773,119</u>	<u>-</u>	<u>-</u>	<u>22,773,119</u>	<u>-</u>
	<u>\$118,930,481</u>	<u>\$96,157,362</u>	<u>\$ -</u>	<u>\$22,773,119</u>	<u>\$ -</u>

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

### **Custodial Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral that is in the possession of an outside party. The collateral for all of the District's investments are held by the pledging bank's agent in the District's name. The District had no investments subject to custodial credit risk as of June 30, 2020.

### **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 7)**. The total carrying amounts and related bank balances of these cash and investment accounts are \$22,773,119 as of June 30, 2020, which are invested in U.S. Treasury securities.

## **(4) PROPERTY TAXES**

Taxes receivable consisted of the following as of June 30, 2020:

Real estate taxes	\$2,868,510
Real estate transfer taxes	199,086
Earned income taxes	131,318
Local services tax	<u>1,008</u>
	<u>\$3,199,922</u>

# DOWNINGTOWN AREA SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

A detailed analysis of current year property tax revenues for the year ended June 30, 2020 are as follows:

Assessed value, July 1, 2019	\$5,565,330,880
Millage rate	<u>0.027182</u>
<b>Gross property tax levy</b>	151,276,824
<b>Add:</b>	
Penalties paid	195,029
<b>Less:</b>	
Discounts	(2,602,508)
Assessment changes and exonerations	(812,536)
Property tax relief allocation	(3,954,207)
Taxes uncollected at December 31, 2019 and lien	<u>(2,180,677)</u>
	<u>\$ 141,921,935</u>

### (5) INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2020 is as follows:

<u>Receivable To</u>	<u>Amount</u>	<u>Payable From</u>	<u>Amount</u>
Capital Projects Fund	\$11,699,163	General Fund	\$11,699,163
General Fund	29,144	Capital Projects Fund	29,144
Food Service Fund	22,872	General Fund	22,872
General Fund	<u>2,914</u>	Food Service Fund	<u>2,914</u>
	<u>\$11,754,093</u>		<u>\$11,754,093</u>

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

A summary of interfund transfers for the year ended June 30, 2020 is as follows:

<u>Transfers In</u>	<u>Amount</u>	<u>Transfers Out</u>	<u>Amount</u>
Capital Projects Fund (non-reimbursement)	\$ 2,327,268	General Fund (non-reimbursement)	\$ 2,327,268
Capital Projects Fund (reimbursement for technology)	3,764,553	General Fund (reimbursement for technology)	3,764,553
Capital Projects Fund (reimbursement for facilities)	4,116,370	General Fund (reimbursement for facilities)	4,116,370
Capital Projects Fund (reimbursement for curriculum/ other)	<u>1,490,972</u>	General Fund (reimbursement for curriculum/ other)	<u>1,490,972</u>
	<u>\$11,699,163</u>		<u>\$11,699,163</u>

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

# DOWNINGTOWN AREA SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

### (6) CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities</b>				
Capital assets not being depreciated				
Construction in progress	\$ 9,617,111	\$ 40,218,067	\$ 11,429,975	\$ 38,405,203
Land	41,367,984	3,256,734	-	44,624,718
<b>Total capital assets not being depreciated</b>	<u>50,985,095</u>	<u>43,474,801</u>	<u>11,429,975</u>	<u>83,029,921</u>
Capital assets being depreciated				
Buildings and improvements	336,822,629	2,181,151	-	339,003,780
Land improvements	20,162,098	446,992	332,617	20,276,473
Furniture and equipment	27,879,669	5,679,556	4,105,792	29,453,433
<b>Total capital assets being depreciated</b>	<u>384,864,396</u>	<u>8,307,699</u>	<u>4,438,409</u>	<u>388,733,686</u>
<b>Less accumulated depreciation for</b>				
Buildings and improvements	(125,395,710)	(8,262,590)	-	(133,658,300)
Land improvements	(15,202,752)	(1,064,206)	(332,617)	(15,934,341)
Furniture and equipment	(15,479,783)	(4,273,618)	(4,105,792)	(15,647,609)
<b>Total accumulated depreciation</b>	<u>(156,078,245)</u>	<u>(13,600,414)</u>	<u>(4,438,409)</u>	<u>(165,240,250)</u>
<b>Total capital assets being depreciated, net</b>	<u>228,786,151</u>	<u>(5,292,715)</u>	<u>-</u>	<u>223,493,436</u>
<b>Governmental activities, net</b>	<u>\$ 279,771,246</u>	<u>\$ 38,182,086</u>	<u>\$ 11,429,975</u>	<u>\$ 306,523,357</u>
<b>Business-type activities</b>				
Machinery and equipment	\$ 3,095,441	\$ 30,112	\$ 18,834	\$ 3,106,719
Less accumulated depreciation	(2,143,091)	(125,351)	(18,834)	(2,249,608)
<b>Business-type activities, net</b>	<u>\$ 952,350</u>	<u>\$ (95,239)</u>	<u>\$ -</u>	<u>\$ 857,111</u>

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

<b>Governmental activities</b>	
Unallocated	<u>\$13,600,414</u>
<b>Business-type activities</b>	
Food service	<u>\$ 125,351</u>

As of June 30, 2020, the District had outstanding construction commitments totaling \$10,158,118 for various renovations to District buildings.

### (7) LONG-TERM DEBT

#### General Obligation Debt

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

# DOWNINGTOWN AREA SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

General obligation debt outstanding as of June 30, 2020 consisted of the following:

<u>Description</u>	<u>Interest Rate(s)</u>	<u>Original Issue Amount</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
<b>General obligation bonds</b>				
Series of 2017	0.75% - 5.00%	\$16,910,000	11/01/2029	\$ 16,100,000
Series of 2018A	2.00% - 5.00%	\$14,635,000	08/01/2029	12,855,000
Series of 2018B	2.00% - 5.00%	\$32,620,000	08/01/2022	24,855,000
Series of 2018C	2.00% - 5.00%	\$26,655,000	08/01/2032	<u>26,470,000</u>
<b>Total general obligation bonds</b>				<u>80,280,000</u>
<b>Qualified school construction bonds</b>				
Series of 2010A	5.00%	\$28,303,000	09/01/2027	28,303,000
Series of 2011C	5.088%	\$11,766,000	09/01/2029	<u>11,766,000</u>
<b>Total qualified school construction bonds</b>				<u>40,069,000</u>
<b>Total general obligation debt</b>				<u>\$120,349,000</u>

### Qualified School Construction Bonds

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

The following summarizes the changes in general obligation debt for the year ended June 30, 2020:

	<u>Balance July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2020</u>	<u>Amount Due Within One Year</u>
<b>Governmental activities</b>					
<b>General obligation bonds</b>					
Series of 2017	\$ 16,225,000	\$ -	\$ 125,000	\$ 16,100,000	\$ 105,000
Series of 2018A	13,680,000	-	825,000	12,855,000	850,000
Series of 2018B	32,540,000	-	7,685,000	24,855,000	8,010,000
Series of 2018C	26,655,000	-	185,000	26,470,000	195,000
<b>Qualified school construction bonds</b>					
Series of 2010A	28,303,000	-	-	28,303,000	-
Series of 2011C	<u>11,766,000</u>	<u>-</u>	<u>-</u>	<u>11,766,000</u>	<u>-</u>
<b>Subtotal</b>	129,169,000	-	8,820,000	120,349,000	9,160,000
Bond premiums	9,592,161	-	1,192,036	8,400,125	1,192,036
Bond discounts	<u>(87,955)</u>	<u>-</u>	<u>(8,963)</u>	<u>(78,992)</u>	<u>(8,963)</u>
<b>Total general obligation debt</b>	<u>\$138,673,206</u>	<u>\$ -</u>	<u>\$10,003,073</u>	<u>\$128,670,133</u>	<u>\$10,343,073</u>

# DOWNINGTOWN AREA SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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

<u>Year ending June 30,</u>	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Debt Sinking Fund</u>	<u>Total</u>
2021	\$ 9,160,000	\$ 3,418,258	\$ 2,399,632	\$ 14,977,890
2022	9,515,000	3,056,351	2,399,632	14,970,983
2023	9,935,000	2,641,213	2,399,632	14,975,845
2024	3,240,000	2,364,178	2,399,632	8,003,810
2025	3,350,000	2,253,728	2,399,632	8,003,360
2026-2030	62,854,000	8,558,763	(31,400,804)	40,011,959
2031-2033	<u>22,295,000</u>	<u>1,709,125</u>	<u>-</u>	<u>24,004,125</u>
	<u>\$120,349,000</u>	<u>\$24,001,616</u>	<u>\$(19,402,644)</u>	<u>\$124,947,972</u>

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

### (8) NONCURRENT LIABILITIES

The following summarizes the changes in noncurrent liabilities for the year ended June 30, 2020:

	<u>Balance July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2020</u>
<b>Governmental activities</b>				
Compensated absences	\$ 2,986,031	\$ 936,922	\$ -	\$ 3,922,953
OPEB liability	15,381,235	367,324	-	15,748,559
Net OPEB liability – PSERS	15,225,804	-	2,110,146	13,115,658
Net pension liability - PSERS	<u>350,566,937</u>	<u>-</u>	<u>62,071,282</u>	<u>288,495,655</u>
<b>Total governmental activities</b>	<u>384,160,007</u>	<u>1,304,246</u>	<u>64,181,428</u>	<u>321,282,825</u>
<b>Business-type activities</b>				
Compensated absences	20,362	1,193	-	21,555
Net OPEB liability – PSERS	17,258	-	1,793	15,465
Net pension liability - PSERS	<u>397,362</u>	<u>-</u>	<u>57,195</u>	<u>340,167</u>
<b>Total business-type activities</b>	<u>434,982</u>	<u>1,193</u>	<u>58,988</u>	<u>377,187</u>
<b>Total noncurrent liabilities</b>	<u>\$384,594,989</u>	<u>\$1,305,439</u>	<u>\$64,240,416</u>	<u>\$321,660,012</u>

### (9) OTHER POST-EMPLOYMENT BENEFITS

#### Single-Employer Defined Benefit OPEB Plan

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

# DOWNINGTOWN AREA SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

### OPEB Plan Membership

Membership in the OPEB plan consisted of the following at July 1, 2018:

Active employees	1,369
Vested former participants	2
Retired participants	<u>85</u>
Total	<u>1,456</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, 2020. The total OPEB liability was determined by an actuarial valuation as of July 1, 2018, and by rolling forward the liabilities from the July 1, 2019 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 \$15,748,559, all of which is unfunded. As of June 30, 2020, the OPEB liability of \$15,748,559 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, 2020 was as follows:

<b>Balances as of July 1, 2019</b>	<b><u>\$15,381,235</u></b>
<b>Changes for the year:</b>	
Service cost	1,253,362
Interest on total OPEB liability	481,312
Differences between projected and actual experience	-
Changes in assumptions	(475,375)
Benefit payments	<u>(891,975)</u>
<b>Net changes</b>	<b><u>367,324</u></b>
<b>Balances as of June 30, 2020</b>	<b><u>\$15,748,559</u></b>

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$1,719,192. At June 30, 2020, the District had deferred inflows of resources and deferred outflows of resources related to the OPEB plan from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Difference between expected and actual experience	\$ -	\$361,127
Changes of assumptions	761,249	603,948
Contributions subsequent to the measurement date	<u>817,316</u>	<u>-</u>
	<b><u>\$1,578,565</u></b>	<b><u>\$965,075</u></b>

\$817,316 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

# DOWNINGTOWN AREA SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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**Year ended June 30,**

2021	\$ (15,482)
2022	(15,482)
2023	(15,482)
2024	(15,482)
2025	(15,482)
Thereafter	<u>(126,416)</u>
	<u><u>\$ (203,826)</u></u>

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

The following presents the OPEB liability for June 30, 2020, 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:

	<b><u>1% Decrease</u></b>	<b><u>Trend Rate</u></b>	<b><u>1% Increase</u></b>
OPEB liability	<u>\$13,708,611</u>	<u>\$15,748,559</u>	<u>\$18,214,277</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 3.36%, as well as what the OPEB liability would be if it were calculated using the discount rate that is one percentage point lower (2.36%) or 1 percentage point higher (4.36%) than the current rate:

	<b><u>1% Decrease</u></b>	<b><u>Current Discount Rate</u></b>	<b><u>1% Increase</u></b>
	<b><u>2.36%</u></b>	<b><u>3.36%</u></b>	<b><u>4.36%</u></b>
OPEB Liability	<u>\$17,024,304</u>	<u>\$15,748,559</u>	<u>\$14,554,997</u>

**Actuarial Methods and Significant Assumptions**

The OPEB Liability as of June 30, 2020, was determined by rolling forward the OPEB Liability as of July 1, 2018 to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - entry age normal
- Discount rate – 3.36% - Standard and Poors 20 year high grade bond rate. The discount rate changed from 2.98% to 3.36%.
- Salary growth – salary increases are composed of inflation of 2.50%, 1.00% for real wage growth and 0.00% to 2.75% for merit or seniority increases.
- Assumed healthcare cost trends – 6.00% in 2018 and 5.50% in 2019 through 2021.
- Mortality rates were based on the RP-2014 mortality tables for males and females, adjusted to reflect experience and projected using a modified version of the MP-2015 mortality improvement scale.

**Cost Sharing Multiple-Employer Defined Benefit OPEB Plan**

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



# DOWNINGTOWN AREA SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

### Plan Description

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

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

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

### Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' health options program. As of June 30, 2019, 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, 2020 was 0.83% 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 \$697,463 for the year ended June 30, 2020.

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

At June 30, 2020, the District reported a liability of \$13,131,123 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, 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, 2018 to June 30, 2019. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the District's proportion was 0.6174 percent, which was a decrease of 0.1137 from its proportion measured as of June 30, 2019. As of June 30, 2020, the net OPEB liability of \$13,115,658 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position and the remaining \$15,465 of the net OPEB liability is recorded as a liability in the proprietary fund statement of net position, and in the business-type activities in the government-wide statement of net position.

For the year ended June 30, 2020, the District recognized OPEB expense of \$533,000. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual experience	\$ 74,000	\$ -
Changes in assumptions	435,000	390,000
Difference between projected and actual investment earnings	22,000	-
Changes in proportions	1,160,000	2,061,000
Contributions subsequent to the measurement date	<u>697,463</u>	<u>-</u>
	<u>\$2,388,463</u>	<u>\$2,451,000</u>

# DOWNINGTOWN AREA SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

\$697,463 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**Year ended June 30,**

2020	\$(108,000)
2021	(108,000)
2022	(111,000)
2023	(114,000)
2024	(21,000)
Thereafter	<u>(298,000)</u>
	<u><b>\$(760,000)</b></u>

**Actuarial Assumptions**

The OPEB liability as of June 30, 2019, was determined by rolling forward the PSERS' OPEB liability as of June 30, 2018 to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - entry age normal - level % of pay
- Investment return – 2.79% - Standard & Poors 20 year municipal bond rate
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Premium assistance reimbursement is capped at \$1,200 per year.
- Assumed healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 mortality tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 mortality improvement scale.

Participation rate:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study that was performed for the five year period June 30, 2015.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2016 determined the employer contribution rate for fiscal year 2019.
- 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: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 combined healthy annuitant tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 combined disabled tables with age set back 7 years for males and 3 years for females and disabled annuitants. (A unisex table based on the RP-2000 combined healthy annuitant tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

## DOWNINGTOWN AREA SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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

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

<u>OPEB – Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	13.20%	0.2%
US core fixed income	83.10%	1.0%
Fixed income	<u>3.70%</u>	0.0%
	<u>100.00%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2019.

#### Discount Rate

The discount rate used to measure the OPEB liability was 2.79%. Under the OPEB plan's funding policy, contributions are structured for short term funding of health insurance premium assistance. The funding policy sets contribution rates necessary to assure solvency of health insurance premium assistance through the third fiscal year after the actuarial valuation date. The health insurance premium assistance account is funded to establish reserves that are sufficient for the payment of health insurance premium assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the OPEB plan is considered a "pay-as-you-go" plan. A discount rate of 2.79% which represents the Standard & Poors 20 year municipal bond rate at June 30, 2019, 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, 2019, retirees health insurance premium assistance benefits are not subject to future healthcare cost increases. The healthcare insurance premium assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on healthcare cost trends as depicted below.

The following presents the net OPEB liability for June 30, 2019, 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:

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the OPEB liability	<u>\$13,129,104</u>	<u>\$13,131,123</u>	<u>\$13,132,752</u>

# DOWNINGTOWN AREA SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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

The following presents the net OPEB liability, calculated using the discount rate of 2.79%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.79%) or 1-percentage-point higher (3.79%) than the current rate:

	<b><u>1% Decrease 1.79%</u></b>	<b><u>Current Discount Rate 2.79%</u></b>	<b><u>1% Increase 3.79%</u></b>
District's proportionate share of the net OPEB liability	<u>\$14,959,207</u>	<u>\$13,131,123</u>	<u>\$11,616,097</u>

### **OPEB Plan Fiduciary Net Position**

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

## **(10) PENSION PLAN**

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

### **Plan Description**

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

### **Benefits Provided**

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

# DOWNINGTOWN AREA SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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

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

### **Contributions**

#### **Member Contributions**

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

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

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

Members who joined PSERS after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.50% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect T-F membership, contribute at 10.30% (base rate) of the member's qualifying compensation. Membership Class T-E and T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause Membership Class T-E contribution rate to fluctuate between 7.50% and 9.50% and Membership Class T-F contribution rate to fluctuate between 10.30% and 12.30%.

#### **Employer Contributions**

The District's contractually required contribution rate for fiscal year ended June 30, 2020 was 33.43% 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 \$33,254,285 for the year ended June 30, 2020.

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

At June 30, 2020, the District reported a liability of \$288,835,822 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2018 to June 30, 2019. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the District's proportion was 0.6174 percent, which was a decrease of 0.1137 from its proportion measured as of June 30, 2019. As of June 30, 2020, the net pension liability of \$288,495,655 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position and the remaining \$340,167 of the net pension liability is recorded as a liability in the proprietary fund statement of net position, and in the business-type activities in the government-wide statement of net position.

# DOWNINGTOWN AREA SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

For the year ended June 30, 2020, the District recognized negative pension expense of \$29,122,000. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between expected and actual experience	\$ 1,591,000	\$ 9,573,000
Changes in assumptions	2,761,000	-
Net difference between projected and actual investment earnings	-	827,000
Changes in proportions	18,981,000	40,277,000
Contributions subsequent to the measurement date	<u>33,254,285</u>	<u>-</u>
	<u>\$56,587,285</u>	<u>\$50,677,000</u>

\$33,254,285 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30,**

2020	\$ (1,954,000)
2021	(9,571,000)
2022	(16,329,000)
2023	<u>510,000</u>
	<u>\$(27,344,000)</u>

**Actuarial Assumptions**

The total pension liability as of June 30, 2019 was determined by rolling forward PSERS' total pension liability at June 30, 2018 to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return – 7.25%, includes inflation at 2.75%
- Salary growth – Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 mortality improvement scale.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial valuation experience study that was performed for the five year period ending June 30, 2015.

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

## DOWNINGTOWN AREA SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	20.00 %	5.60%
Fixed income	36.00 %	1.90%
Commodities	8.00 %	2.70%
Absolute return	10.00 %	3.40%
Risk parity	10.00 %	4.10%
Infrastructure/MLPs	8.00 %	5.50%
Real estate	10.00 %	4.10%
Alternative investments	15.00 %	7.40%
Cash	3.00 %	0.30%
Financing (LIBOR)	<u>(20.00)%</u>	0.70%
	<u>100.0 %</u>	

The above was the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2019.

#### Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following represents the net pension liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

	<u>1% Decrease 6.25%</u>	<u>Discount Rate 7.25%</u>	<u>1% Increase 8.25%</u>
District's proportionate share of the net pension liability	<u>\$359,776,743</u>	<u>\$288,835,822</u>	<u>\$228,766,284</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](http://www.psers.state.pa.us).

# DOWNINGTOWN AREA SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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### (11) JOINT VENTURE AND JOINTLY GOVERNED ORGANIZATION

#### **Technical College High School Brandywine**

The District and two other Chester County school districts participate in the Technical College High School Brandywine Campus ("**TCHS Brandywine**"). The TCHS Brandywine provides vocational-technical training and education to students of the participating school districts. The TCHS Brandywine is controlled by a joint Board comprised of representative school board members of the participating school districts. District oversight of the TCHS Brandywine operations is the responsibility of the joint board. The District's share of operating costs for the TCHS Brandywine fluctuates based on the District's percentage of enrollment. The District's share of operating costs for 2019-2020 was \$2,662,361.

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

#### **Chester County Intermediate Unit**

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

### (12) CONTINGENCIES AND COMMITMENTS

#### **Government Grants and Awards**

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

#### **Litigation**

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

### (13) RISK MANAGEMENT

#### **Other Risks**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance. For insured programs, there were no significant reductions in insurance coverages during the 2019-2020 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.



# DOWNINGTOWN AREA SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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### Healthcare

The District administers a self-insurance program to provide healthcare and related expenses for eligible employees, spouses and their dependents. Accordingly, benefit payments plus an administrative charge are made to a third party administrator, who approves and processes all claims. The District has recorded a liability in the General Fund that includes an estimate for claims incurred but not reported through June 30, 2020 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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Insurance claims liability – beginning of year	\$ 4,604,576	\$ 4,666,233
Current year insurance claims and changes in estimates	15,306,809	16,936,162
Insurance claims paid	<u>(15,848,056)</u>	<u>(16,997,819)</u>
Insurance claims liability – end of year	<u>\$ 4,063,329</u>	<u>\$ 4,604,576</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, 2020, the District is not aware of any additional assessments relating to SDIC.

## (14) SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 1, 2020, the date on which the financial statements were available to be issued. No material subsequent events have occurred since June 30, 2020 that required recognition or disclosure in the financial statements.

## **REQUIRED SUPPLEMENTARY INFORMATION**

# DOWNINGTOWN AREA SCHOOL DISTRICT

## BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended June 30, 2020

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Local sources	\$ 172,858,820	\$ 172,858,820	\$ 172,674,069	\$ (184,751)
State sources	52,134,292	52,243,397	52,437,987	194,590
Federal sources	1,135,000	2,981,764	3,305,481	323,717
<b>Total revenues</b>	<b>226,128,112</b>	<b>228,083,981</b>	<b>228,417,537</b>	<b>333,556</b>
<b>EXPENDITURES</b>				
<b>Instruction</b>				
Regular programs	99,428,734	99,428,734	98,038,430	1,390,304
Special programs	31,655,377	32,566,557	32,559,701	6,856
Vocational programs	6,154,599	6,284,599	6,273,664	10,935
Other instructional programs	1,744,486	1,744,486	1,739,711	4,775
Nonpublic school programs	38,500	38,500	4,765	33,735
<b>Total instruction</b>	<b>139,021,696</b>	<b>140,062,876</b>	<b>138,616,271</b>	<b>1,446,605</b>
<b>Support services</b>				
Pupil support services	8,518,095	9,115,514	9,096,830	18,684
Instructional staff services	6,347,205	6,892,204	6,867,839	24,365
Administrative services	13,370,486	13,370,486	12,316,951	1,053,535
Pupil health	3,013,269	3,013,269	2,744,747	268,522
Business services	2,471,992	2,471,992	2,133,675	338,317
Operation and maintenance of plant services	15,331,601	15,331,601	14,511,209	820,392
Student transportation services	12,801,555	12,801,555	10,990,897	1,810,658
Support services - central	4,665,516	5,165,516	5,125,996	39,520
Other support services	94,000	203,106	202,835	271
<b>Total support services</b>	<b>66,613,719</b>	<b>68,365,243</b>	<b>63,990,979</b>	<b>4,374,264</b>
<b>Operation of noninstructional services</b>				
Student activities	3,850,814	3,850,814	3,674,686	176,128
Community services	84,660	84,660	66,670	17,990
<b>Total operation of noninstructional services</b>	<b>3,935,474</b>	<b>3,935,474</b>	<b>3,741,356</b>	<b>194,118</b>
<b>Facilities acquisition, construction and improvement services</b>	<b>310,000</b>	<b>335,000</b>	<b>332,382</b>	<b>2,618</b>
<b>Debt service</b>	<b>10,000,000</b>	<b>11,846,764</b>	<b>9,846,764</b>	<b>2,000,000</b>
<b>Total expenditures</b>	<b>219,880,889</b>	<b>224,545,357</b>	<b>216,527,752</b>	<b>8,017,605</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>6,247,223</b>	<b>3,538,624</b>	<b>11,889,785</b>	<b>8,351,161</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of/compensation for capital assets	89,700	89,700	278,039	188,339
Refund of prior year expenditures	75,000	75,000	117,370	42,370
Refund of prior year revenues	(50,000)	(50,000)	(285)	49,715
Transfers out (reimbursement)	(1,500,000)	(3,653,324)	(9,371,895)	(5,718,571)
Transfers out (non-reimbursement)	-	-	(2,327,268)	(2,327,268)
Budgetary reserve	(4,861,923)	-	-	-
<b>Total other financing sources (uses)</b>	<b>(6,247,223)</b>	<b>(3,538,624)</b>	<b>(11,304,039)</b>	<b>(7,765,415)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>585,746</b>	<b>\$ 585,746</b>
<b>FUND BALANCE</b>				
Beginning of year			18,193,736	
<b>End of year</b>			<b>\$ 18,779,482</b>	

# **DOWNTOWN AREA SCHOOL DISTRICT**

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

**Year ended June 30**

	<b>Measurement Date</b>					
	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
District's proportion of the net pension liability	0.6174%	0.7311%	0.6556%	0.6547%	0.6410%	0.6259%
District's proportionate share of the net pension liability	\$ 288,835,822	\$ 350,964,299	\$ 323,790,381	\$ 324,448,546	\$ 277,651,000	\$ 247,735,000
District's covered-employee payroll	\$ 85,153,373	\$ 98,456,473	\$ 87,291,671	\$ 84,793,744	\$ 82,474,947	\$ 79,863,944
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	339.19%	356.47%	370.93%	382.63%	336.65%	310.20%
Plan fiduciary net position as a percentage of the total pension liability	55.66%	54.00%	52.00%	50.00%	54.00%	57.00%

46

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

## DOWNINGTOWN AREA SCHOOL DISTRICT

### SCHEDULE OF THE DISTRICT'S PENSION PLAN CONTRIBUTIONS - PSERS

Year ended June 30

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

16

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

# DOWNINGTOWN AREA SCHOOL DISTRICT

## SCHEDULE OF CHANGES IN OPEB LIABILITY - SINGLE EMPLOYER PLAN

Year ended June 30

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>TOTAL OPEB LIABILITY</b>			
Service cost	\$ 1,253,362	\$ 1,088,495	\$ 1,116,126
Interest on total OPEB liability	481,312	465,654	362,294
Differences between projected and actual experience	-	(416,685)	-
Changes of assumptions	(475,375)	878,365	(203,972)
Benefit payments	<u>(891,975)</u>	<u>(923,460)</u>	<u>(915,163)</u>
<b>Net change in total OPEB liability</b>	367,324	1,092,369	359,285
<b>Total OPEB liability, beginning</b>	<u>15,381,235</u>	<u>14,288,866</u>	<u>13,929,581</u>
<b>Total OPEB liability, ending</b>	<u>\$ 15,748,559</u>	<u>\$ 15,381,235</u>	<u>\$ 14,288,866</u>
<b>Fiduciary net position as a % of total OPEB liability</b>	0.00%	0.00%	0.00%
<b>Covered payroll</b>	\$ 90,294,978	\$ 90,294,978	\$ 83,688,223
<b>Net OPEB liability as a % of covered payroll</b>	17.44%	17.03%	17.07%

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

# DOWNINGTOWN AREA SCHOOL DISTRICT

## *SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY -PSERS*

Year ended June 30

	Measurement Date		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.6174%	0.7311%	0.6556%
District's proportionate share of the net OPEB liability	\$ 13,131,123	\$ 15,243,062	\$ 13,357,273
District's covered-employee payroll	\$ 85,153,373	\$ 98,456,473	\$ 87,291,671
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	15.42%	15.48%	15.30%
Plan fiduciary net position as a percentage of the total OPEB liability	5.56%	5.56%	6.00%

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

# DOWNINGTOWN AREA SCHOOL DISTRICT

## SCHEDULE OF THE DISTRICT'S OPEB PLAN CONTRIBUTIONS - PSERS

Year ended June 30

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

	<b><u>Capital Reserve Fund</u></b>	<b><u>Capital Projects Fund</u></b>	<b><u>Total</u></b>
<b>ASSETS</b>			
Cash	\$ 6,610,353	\$ 31,229,530	\$ 37,839,883
Investments	20,196,842	59,767,520	79,964,362
Other receivables	-	3,000	3,000
Due from other funds	<u>-</u>	<u>11,699,163</u>	<u>11,699,163</u>
<b>Total assets</b>	<b><u>\$ 26,807,195</u></b>	<b><u>\$ 102,699,213</u></b>	<b><u>\$ 129,506,408</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ 7,301,917	\$ 7,301,917
Due to other funds	<u>-</u>	<u>29,144</u>	<u>29,144</u>
	<u>-</u>	<u>7,331,061</u>	<u>7,331,061</u>
<b>FUND BALANCES</b>			
Committed to			
Capital projects	<u>26,807,195</u>	<u>95,368,152</u>	<u>122,175,347</u>
<b>Total fund balances</b>	<b><u>26,807,195</u></b>	<b><u>95,368,152</u></b>	<b><u>122,175,347</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 26,807,195</u></b>	<b><u>\$ 102,699,213</u></b>	<b><u>\$ 129,506,408</u></b>

# DOWNINGTOWN AREA SCHOOL DISTRICT

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

Year ended June 30, 2020

	<b>Capital Reserve Fund</b>	<b>Capital Projects Fund</b>	<b>Total</b>
<b>REVENUES</b>			
Local sources	\$ 562,448	\$ 1,929,192	\$ 2,491,640
<b>EXPENDITURES</b>			
Current			
Instruction	-	3,687,024	3,687,024
Support services	-	435,777	435,777
Operation of noninstructional services	-	69,926	69,926
Facilities acquisition, construction and improvement services	-	36,025,340	36,025,340
<b>Total expenditures</b>	-	40,218,067	40,218,067
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	562,448	(38,288,875)	(37,726,427)
<b>OTHER FINANCING SOURCES (USES)</b>			
Refund of prior year expenditures	-	64,404	64,404
Transfers in (reimbursement)	-	9,371,895	9,371,895
Transfers in (non-reimbursement)	-	2,327,268	2,327,268
<b>Total other financing sources (uses)</b>	-	11,763,567	11,763,567
<b>NET CHANGE IN FUND BALANCES</b>	562,448	(26,525,308)	(25,962,860)
<b>FUND BALANCES</b>			
Beginning of year	26,244,747	121,893,460	148,138,207
<b>End of year</b>	<u>\$ 26,807,195</u>	<u>\$ 95,368,152</u>	<u>\$ 122,175,347</u>

**DOWNINGTOWN AREA SCHOOL DISTRICT****BORROWING BASE CALCULATION - GENERAL FUND**

Year ended June 30,

	<u>2018</u>	<u>2019</u>	<u>2020</u>
<b>Gross revenues received - General Fund</b>	<u>\$ 222,813,860</u>	<u>\$ 225,625,070</u>	<u>\$ 228,417,537</u>
<b>Deductions pursuant to Section 102 (c)(16) of Act 185 of 1972;</b>			
(i) Subsidy - rentals and sinking fund payments	1,630,989	1,127,730	1,139,792
(ii) Non-recurring receipts	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total deductions</b>	<u>1,630,989</u>	<u>1,127,730</u>	<u>1,139,792</u>
 <b>TOTAL REVENUES AS DEFINED IN         SECTION (102(c)(16) OF ACT 185         OF 1972</b>	 <u>\$ 221,182,871</u>	 <u>\$ 224,497,340</u>	 <u>\$ 227,277,745</u>
 <b>TOTAL REVENUES FOR PAST THREE YEARS</b>	 <u>\$ 649,221,662</u>	 <u>\$ 662,341,532</u>	 <u>\$ 672,957,956</u>
 <b>BORROWING BASE - AVERAGE ANNUAL REVENUES</b>	 <u>\$ 216,407,221</u>	 <u>\$ 220,780,511</u>	 <u>\$ 224,319,319</u>
 <b>DEBT LIMIT - 225% OF BORROWING BASE</b>	 <u>\$ 486,916,247</u>	 <u>\$ 496,756,149</u>	 <u>\$ 504,718,467</u>

# **DOWNINGTOWN AREA SCHOOL DISTRICT**

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

**June 30,**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>REVENUES</b>										
Local sources	\$172,674,069	\$172,336,280	\$169,667,095	\$168,019,218	\$165,798,902	\$161,347,717	\$158,062,114	\$155,165,778	\$150,471,909	\$146,373,855
State sources	52,437,987	50,286,113	50,224,146	50,415,422	43,445,079	40,489,476	38,795,263	35,850,554	36,203,487	34,875,076
Federal sources	<u>3,305,481</u>	<u>3,002,677</u>	<u>2,922,619</u>	<u>2,973,257</u>	<u>2,724,944</u>	<u>2,758,810</u>	<u>3,057,783</u>	<u>3,012,007</u>	<u>3,140,124</u>	<u>5,757,006</u>
<b>Total revenues</b>	<u>228,417,537</u>	<u>225,625,070</u>	<u>222,813,860</u>	<u>221,407,897</u>	<u>211,968,925</u>	<u>204,596,003</u>	<u>199,915,160</u>	<u>194,028,339</u>	<u>189,815,520</u>	<u>187,005,937</u>
<b>EXPENDITURES</b>										
Instruction	138,616,271	134,766,707	130,407,874	126,339,494	122,852,991	114,337,036	107,576,872	102,566,445	100,946,540	101,266,153
Support services	63,990,979	63,073,821	60,274,071	60,692,658	58,164,456	54,859,555	50,494,222	47,672,427	46,149,161	48,032,336
Operation of noninstructional services	3,741,356	4,125,096	4,152,500	3,952,347	3,781,391	3,742,258	3,418,070	3,405,943	3,234,836	3,353,499
Facilities acquisition, construction and improvement services	332,382	279,002	331,257	353,018	311,756	187,621	300,250	1,558,131	3,000,000	-
Debt service	<u>9,846,764</u>	<u>9,839,885</u>	<u>11,833,005</u>	<u>11,831,039</u>	<u>13,361,677</u>	<u>13,887,128</u>	<u>16,801,219</u>	<u>27,185,883</u>	<u>26,836,505</u>	<u>18,287,185</u>
<b>Total expenditures</b>	<u>216,527,752</u>	<u>212,084,511</u>	<u>206,998,707</u>	<u>203,168,556</u>	<u>198,472,271</u>	<u>187,013,598</u>	<u>178,590,633</u>	<u>182,388,829</u>	<u>180,167,042</u>	<u>170,939,173</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>11,889,785</u>	<u>13,540,559</u>	<u>15,815,153</u>	<u>18,239,341</u>	<u>13,496,654</u>	<u>17,582,405</u>	<u>21,324,527</u>	<u>11,639,510</u>	<u>9,648,478</u>	<u>16,066,764</u>
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers out	(11,699,163)	(13,208,160)	(15,826,069)	(25,760,784)	(13,127,754)	(19,572,644)	(25,071,254)	(20,745,138)	(21,931,206)	(6,374,284)
Sale of/compensation for capital assets	278,039	44,245	162,237	182,098	45,414	37,165	17,064	3,675	16,100	-
Proceeds from extended-term financing	-	-	-	-	-	-	-	-	-	713,040
Refunds of prior years expenditures (revenues)	<u>117,085</u>	<u>122,639</u>	<u>201,532</u>	<u>69,585</u>	<u>(76,904)</u>	<u>119,098</u>	<u>239,113</u>	<u>384</u>	<u>(10,642)</u>	<u>36,170</u>
<b>Total other financing sources (uses)</b>	<u>(11,304,039)</u>	<u>(13,041,276)</u>	<u>(15,462,300)</u>	<u>(25,509,101)</u>	<u>(13,159,244)</u>	<u>(19,416,381)</u>	<u>(24,815,077)</u>	<u>(20,741,079)</u>	<u>(21,925,748)</u>	<u>(5,625,074)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>585,746</u>	<u>499,283</u>	<u>352,853</u>	<u>(7,269,760)</u>	<u>337,410</u>	<u>(1,833,976)</u>	<u>(3,490,550)</u>	<u>(9,101,569)</u>	<u>(12,277,270)</u>	<u>10,441,690</u>
<b>FUND BALANCE</b>										
Beginning of year	18,193,736	17,694,453	17,341,600	24,611,360	24,273,950	26,107,926	29,598,476	38,700,045	50,977,315	40,180,859
Prior period adjustment	-	-	-	-	-	-	-	-	-	354,766
<b>Fund balance as restated</b>	<u>18,193,736</u>	<u>17,694,453</u>	<u>17,341,600</u>	<u>24,611,360</u>	<u>24,273,950</u>	<u>26,107,926</u>	<u>29,598,476</u>	<u>38,700,045</u>	<u>50,977,315</u>	<u>40,535,625</u>
<b>End of year</b>	<u>\$ 18,779,482</u>	<u>\$ 18,193,736</u>	<u>\$ 17,694,453</u>	<u>\$ 17,341,600</u>	<u>\$ 24,611,360</u>	<u>\$ 24,273,950</u>	<u>\$ 26,107,926</u>	<u>\$ 29,598,476</u>	<u>\$ 38,700,045</u>	<u>\$ 50,977,315</u>

# DOWNINGTOWN AREA SCHOOL DISTRICT

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

June 30,

	2020		2019		2018		2017		2016	
	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual
<b>REVENUES</b>										
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
<b>Total revenues</b>	<b>226,128,112</b>	<b>228,417,537</b>	<b>220,539,805</b>	<b>225,625,070</b>	<b>216,724,698</b>	<b>222,813,860</b>	<b>211,112,000</b>	<b>221,407,897</b>	<b>202,803,000</b>	<b>211,968,925</b>
<b>EXPENDITURES</b>										
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	3,022,099	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
<b>Total expenditures</b>	<b>219,880,889</b>	<b>216,527,752</b>	<b>207,065,955</b>	<b>212,084,511</b>	<b>216,270,000</b>	<b>206,998,707</b>	<b>210,612,000</b>	<b>203,168,556</b>	<b>206,783,000</b>	<b>198,472,271</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>6,247,223</b>	<b>11,889,785</b>	<b>13,473,850</b>	<b>13,540,559</b>	<b>454,698</b>	<b>15,815,153</b>	<b>500,000</b>	<b>18,239,341</b>	<b>(3,980,000)</b>	<b>13,496,654</b>
<b>OTHER FINANCING SOURCES (USES)</b>										
Sale of/compensation for capital assets	89,700	278,039	90,000	44,245	45,302	162,237	-	182,098	-	45,414
Proceeds from extended term financing	-	-	-	-	-	-	-	-	-	-
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)	-
<b>Total other financing sources (uses)</b>	<b>(6,247,223)</b>	<b>(11,304,039)</b>	<b>(13,473,850)</b>	<b>(13,041,276)</b>	<b>(454,698)</b>	<b>(15,462,300)</b>	<b>(500,000)</b>	<b>(25,509,101)</b>	<b>(520,000)</b>	<b>(13,159,244)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>585,746</b>	<b>-</b>	<b>499,283</b>	<b>-</b>	<b>352,853</b>	<b>-</b>	<b>(7,269,760)</b>	<b>(4,500,000)</b>	<b>337,410</b>
<b>FUND BALANCE</b>										
Beginning of year	18,193,736	18,193,736	23,214,234	17,694,453	25,561,600	17,341,600	24,500,000	24,611,360	26,500,000	24,273,950
<b>End of year</b>	<b>\$ 18,193,736</b>	<b>\$ 18,779,482</b>	<b>\$ 23,214,234</b>	<b>\$ 18,193,736</b>	<b>\$ 25,561,600</b>	<b>\$ 17,694,453</b>	<b>\$ 24,500,000</b>	<b>\$ 17,341,600</b>	<b>\$ 22,000,000</b>	<b>\$ 24,611,360</b>

# DOWNINGTOWN AREA SCHOOL DISTRICT

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

June 30,

	2015		2014		2013		2012		2011	
	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual
<b>REVENUES</b>										
Local sources	\$ 155,097,493	\$ 161,347,717	\$ 151,319,934	\$ 158,062,114	\$ 151,697,123	\$ 155,165,778	\$ 148,233,912	\$ 150,471,909	\$ 147,481,628	\$ 146,373,855
State sources	40,717,507	40,489,476	38,440,601	38,795,263	36,648,877	35,850,554	34,933,500	36,203,487	37,898,372	34,875,076
Federal sources	<u>1,020,000</u>	<u>2,758,810</u>	<u>1,419,465</u>	<u>3,057,783</u>	<u>1,458,000</u>	<u>3,012,007</u>	<u>1,549,025</u>	<u>3,140,124</u>	<u>2,412,000</u>	<u>5,757,006</u>
<b>Total revenues</b>	<u>196,835,000</u>	<u>204,596,003</u>	<u>191,180,000</u>	<u>199,915,160</u>	<u>189,804,000</u>	<u>194,028,339</u>	<u>184,716,437</u>	<u>189,815,520</u>	<u>187,792,000</u>	<u>187,005,937</u>
<b>EXPENDITURES</b>										
Regular programs	90,286,288	82,933,616	84,642,863	77,480,067	83,498,254	73,925,443	76,800,064	71,789,600	74,462,903	69,548,479
Special programs	25,849,778	24,485,681	24,118,246	22,947,710	24,799,582	21,085,193	24,431,112	21,050,519	25,523,433	23,042,260
Vocational programs	5,394,047	5,367,294	6,302,373	5,723,326	6,571,773	6,176,446	7,064,327	6,538,896	6,969,898	7,045,387
Other instructional programs	1,824,222	1,550,445	1,982,521	1,425,769	1,636,066	1,379,363	1,508,031	1,567,525	1,796,365	1,630,027
Nonpublic school programs	-	-	-	-	-	-	-	-	-	-
Pupil personnel services	6,646,435	6,644,737	6,099,362	6,045,437	5,706,891	5,728,429	5,492,904	5,298,326	5,395,672	5,264,519
Instructional staff services	5,608,033	5,159,824	5,463,142	4,420,735	5,085,592	4,460,467	5,450,065	4,289,526	5,651,230	4,752,581
Administrative services	10,821,188	10,594,845	10,170,156	9,479,748	9,173,297	8,826,275	8,654,446	8,290,794	8,952,895	9,139,590
Pupil health	3,010,261	2,569,803	2,829,823	2,600,594	2,738,077	2,633,840	2,490,275	2,516,052	1,562,265	1,473,162
Business services	1,563,524	1,687,424	1,411,977	1,375,160	1,263,848	1,298,612	1,182,131	1,137,795	1,231,514	1,215,356
Operation and maintenance of plant services	13,604,300	13,749,844	12,681,294	13,085,122	12,960,461	11,694,446	13,141,927	11,409,836	14,217,981	13,121,864
Student transportation services	11,118,147	10,926,856	10,048,899	10,031,148	10,223,581	9,572,089	9,815,366	9,900,783	9,718,010	9,613,066
Central and other support services	4,093,679	3,526,222	3,637,940	3,456,278	3,599,481	3,458,269	3,747,757	3,306,049	3,369,557	3,452,198
Student activities	3,244,593	3,675,858	3,114,404	3,400,821	3,209,497	3,377,064	3,054,297	3,203,140	3,068,971	3,295,941
Community services	52,250	66,400	51,000	17,249	64,600	28,879	70,100	31,696	82,306	57,558
Facilities acquisition, construction and improvement	1,468,255	187,621	300,000	300,250	-	1,558,131	-	3,000,000	-	-
Debt service	<u>16,190,000</u>	<u>13,887,128</u>	<u>15,586,000</u>	<u>16,801,219</u>	<u>16,500,000</u>	<u>27,185,883</u>	<u>18,000,000</u>	<u>26,836,505</u>	<u>20,000,000</u>	<u>18,287,185</u>
<b>Total expenditures</b>	<u>200,775,000</u>	<u>187,013,598</u>	<u>188,440,000</u>	<u>178,590,633</u>	<u>187,031,000</u>	<u>182,388,829</u>	<u>180,902,802</u>	<u>180,167,042</u>	<u>182,003,000</u>	<u>170,939,173</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>(3,940,000)</u>	<u>17,582,405</u>	<u>2,740,000</u>	<u>21,324,527</u>	<u>2,773,000</u>	<u>11,639,510</u>	<u>3,813,635</u>	<u>9,648,478</u>	<u>5,789,000</u>	<u>16,066,764</u>
<b>OTHER FINANCING SOURCES (USES)</b>										
Sale of/compensation for capital assets	-	37,165	-	17,064	-	3,675	-	16,100	-	-
Proceeds from extended-term financing	-	-	-	-	-	-	-	-	-	713,040
Refund of prior year expenditures (revenues)	(60,000)	119,098	(60,000)	239,113	(80,000)	384	(100,000)	(10,642)	(60,000)	36,170
Transfers out	-	(19,572,644)	(6,000,000)	(25,071,254)	(5,980,000)	(20,745,138)	(5,713,635)	(21,931,206)	(6,500,000)	(6,374,284)
Budgetary reserve	<u>(500,000)</u>	<u>-</u>	<u>(500,000)</u>	<u>-</u>	<u>(500,000)</u>	<u>-</u>	<u>(500,000)</u>	<u>-</u>	<u>(750,000)</u>	<u>-</u>
<b>Total other financing sources (uses)</b>	<u>(560,000)</u>	<u>(19,416,381)</u>	<u>(6,560,000)</u>	<u>(24,815,077)</u>	<u>(6,560,000)</u>	<u>(20,741,079)</u>	<u>(6,313,635)</u>	<u>(21,925,748)</u>	<u>(7,310,000)</u>	<u>(5,625,074)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(4,500,000)</u>	<u>(1,833,976)</u>	<u>(3,820,000)</u>	<u>(3,490,550)</u>	<u>(3,787,000)</u>	<u>(9,101,569)</u>	<u>(2,500,000)</u>	<u>(12,277,270)</u>	<u>(1,521,000)</u>	<u>10,441,690</u>
<b>FUND BALANCE</b>										
Beginning of year	56,606,800	26,107,926	51,820,000	29,598,476	23,950,000	38,700,045	42,250,000	50,977,315	15,136,800	40,180,859
Prior period adjustment	-	-	-	-	-	-	-	-	-	354,766
<b>Fund balance as restated</b>	<u>56,606,800</u>	<u>26,107,926</u>	<u>51,820,000</u>	<u>29,598,476</u>	<u>23,950,000</u>	<u>38,700,045</u>	<u>42,250,000</u>	<u>50,977,315</u>	<u>15,136,800</u>	<u>40,535,625</u>
<b>End of year</b>	<u>\$ 52,106,800</u>	<u>\$ 24,273,950</u>	<u>\$ 48,000,000</u>	<u>\$ 26,107,926</u>	<u>\$ 20,163,000</u>	<u>\$ 29,598,476</u>	<u>\$ 39,750,000</u>	<u>\$ 38,700,045</u>	<u>\$ 13,615,800</u>	<u>\$ 50,977,315</u>

# DOWNINGTOWN AREA SCHOOL DISTRICT

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

June 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>REVENUES</b>					
<b>Local sources</b>					
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
<b>Total revenues from local sources</b>	<u>172,674,069</u>	<u>172,336,280</u>	<u>169,667,095</u>	<u>168,019,218</u>	<u>165,798,902</u>
<b>State sources</b>					
Basic education	15,213,438	14,785,800	14,607,845	14,346,522	13,870,652
Charter schools	-	-	-	-	-
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
Accountability grant	-	-	-	-	-
Ready to learn grant	874,969	874,969	874,969	874,969	874,969
Dual enrollment	-	-	-	-	-
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	-	-	-	-	-
<b>Total revenues from state sources</b>	<u>52,437,987</u>	<u>50,286,113</u>	<u>50,224,146</u>	<u>50,415,422</u>	<u>43,445,079</u>
<b>Federal sources</b>					
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 & enrichment	51,456	-	1,687	-	-
Drug free school grants	-	-	-	-	-
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	-	-	-	-
ARRA grants	-	-	-	-	-
<b>Total revenues from federal sources</b>	<u>3,305,481</u>	<u>3,002,677</u>	<u>2,922,619</u>	<u>2,973,257</u>	<u>2,724,944</u>
<b>Other financing sources</b>					
Sale of/compensation for capital assets	278,039	44,245	162,237	182,098	45,414
Proceeds from extended-term financing	-	-	-	-	-
Refunds of prior years expenditures	117,370	141,018	201,532	88,522	64,835
<b>Total other financing sources</b>	<u>395,409</u>	<u>185,263</u>	<u>363,769</u>	<u>270,620</u>	<u>110,249</u>
<b>Total revenues</b>	<u>\$ 228,812,946</u>	<u>\$ 225,810,333</u>	<u>\$ 223,177,629</u>	<u>\$ 221,678,517</u>	<u>\$ 212,079,174</u>



# DOWNINGTOWN AREA SCHOOL DISTRICT

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

June 30,

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>REVENUES</b>					
<b>Local sources</b>					
Current real estate taxes	\$ 132,009,040	\$ 130,277,236	\$ 129,407,143	\$ 126,413,056	\$ 123,849,460
Interim real estate taxes	3,176,436	2,360,683	1,752,473	1,792,941	1,736,256
Public utility realty tax	191,740	186,605	189,265	197,693	196,179
Act 511 local services taxes	203,886	204,042	170,459	209,436	164,639
Act 511 earned income taxes	16,076,800	15,098,451	14,065,246	12,845,110	12,550,773
Act 511 real estate transfer taxes	2,514,756	2,443,816	2,678,500	2,067,424	1,734,999
Delinquent real estate taxes	3,355,254	3,954,319	3,379,685	3,486,927	2,997,765
Earnings on investments	381,737	309,237	377,824	419,429	741,421
Revenues from intermediary sources	1,691,913	1,593,535	1,682,844	1,563,822	1,474,452
Rentals	235,404	267,334	158,046	117,069	93,811
Tuition - regular and summer school	53,854	58,790	77,561	62,613	59,311
Student activities	1,275,591	1,171,632	1,090,745	1,113,741	-
Miscellaneous revenue	181,306	136,434	135,987	182,648	774,789
<b>Total revenues from local sources</b>	<u>161,347,717</u>	<u>158,062,114</u>	<u>155,165,778</u>	<u>150,471,909</u>	<u>146,373,855</u>
<b>State sources</b>					
Basic education	13,474,564	13,509,785	13,062,584	13,062,584	11,697,594
Charter schools	-	-	-	-	935,412
Tuition court placed	150,544	102,923	131,695	437,805	198,057
Special education	5,500,007	5,411,988	5,310,989	5,211,893	5,226,233
Transportation	3,804,844	3,754,560	3,649,538	3,653,543	3,715,525
Rental and sinking fund payments	782,427	1,892,129	1,541,547	3,193,177	2,909,754
Medical and dental services	290,607	313,153	308,513	287,491	288,145
State property tax reduction allocation	3,881,937	3,813,172	3,828,397	3,850,949	3,903,983
Other state grants	1,000	-	-	51,000	-
Safe schools	-	-	13,434	13,656	-
Accountability grant	-	264,742	264,742	264,742	673,836
Ready to learn grant	660,098	-	-	-	-
Dual enrollment	-	-	-	-	46,405
Social security subsidy	3,082,604	2,964,554	2,890,657	2,862,912	2,995,144
Retirement subsidy	8,860,844	6,768,257	4,848,458	3,313,297	2,281,268
Incarcerated education	-	-	-	438	3,720
<b>Total revenues from state sources</b>	<u>40,489,476</u>	<u>38,795,263</u>	<u>35,850,554</u>	<u>36,203,487</u>	<u>34,875,076</u>
<b>Federal sources</b>					
Title I - low income	298,055	265,935	253,603	257,547	286,555
Title II - improving teaching quality	148,398	105,225	138,074	196,466	188,221
Title III - english language	22,959	18,016	33,528	40,114	38,075
Drug free school grants	-	-	-	-	10,064
Qualified school construction bond (QSCB)	1,823,177	1,809,417	1,965,689	1,586,545	603,774
All other federal grants	444,422	830,834	621,113	1,059,452	1,827,036
Medical assistance/administrative	21,799	28,356	-	-	-
COVID-19 grants	-	-	-	-	-
ARRA grants	-	-	-	-	2,803,281
<b>Total revenues from federal sources</b>	<u>2,758,810</u>	<u>3,057,783</u>	<u>3,012,007</u>	<u>3,140,124</u>	<u>5,757,006</u>
<b>Other financing sources</b>					
Sale of/compensation for capital assets	37,165	17,064	3,675	16,100	-
Proceeds from extended-term financing	-	-	-	-	713,040
Refunds of prior years expenditures	121,572	244,587	11,754	43,861	82,631
<b>Total other financing sources</b>	<u>158,737</u>	<u>261,651</u>	<u>15,429</u>	<u>59,961</u>	<u>795,671</u>
<b>Total revenues</b>	<u>\$ 204,754,740</u>	<u>\$ 200,176,811</u>	<u>\$ 194,043,768</u>	<u>\$ 189,875,481</u>	<u>\$ 187,801,608</u>

## **SINGLE AUDIT**

# DOWNINGTOWN AREA SCHOOL DISTRICT

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

Year ended June 30, 2020

61-

<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Grantor's Number</u>	<u>Grant Period Beginning/ Ending Dates</u>	<u>Grant Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue July 1, 2019</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2020</u>	<u>Passed Through to Subrecipients</u>
<b>U.S. Department of Education</b>											
<b>Passed-Through the Pennsylvania Department of Education</b>											
Title I - Improving Basic Programs	I	84.010	013-190121	07/01/18 - 09/30/19	\$ 324,225	\$ 82,407	\$ 53,322	\$ 29,085	\$ 29,085	\$ -	\$ -
Title I - Improving Basic Programs	I	84.010	013-200121	07/01/19 - 09/30/20	309,732	221,597	-	244,395	244,395	22,798	-
Total CFDA #84.010						304,004	53,322	273,480	273,480	22,798	-
Title II - Improving Teacher Quality	I	84.367	020-190121	07/01/18 - 09/30/19	184,095	123,185	3,900	119,285	119,285	-	-
Title II - Improving Teacher Quality	I	84.367	020-200121	07/01/19 - 09/30/20	168,030	47,964	-	79,850	79,850	31,886	-
Total CFDA #84.367						171,149	3,900	199,135	199,135	31,886	-
Title III - Language Instruction LEP/ Immigrant Students	I	84.365	010-190121	07/01/18 - 09/30/19	41,648	27,765	(9,392)	37,157	37,157	-	-
Title III - Language Instruction LEP/ Immigrant Students	I	84.365	010-200121	07/01/19 - 09/30/20	34,035	21,880	-	28,835	28,835	6,955	-
Total CFDA #84.365						49,645	(9,392)	65,992	65,992	6,955	-
Title IV Student Support & Academic Enrichment	I	84.424	144-180121	07/01/17 - 09/30/19	10,000	5,000	(3,313)	8,313	8,313	-	-
Title IV Student Support & Academic Enrichment	I	84.424	144-190121	07/01/18 - 09/30/20	21,143	-	(7,048)	21,143	21,143	14,095	-
Title IV Student Support & Academic Enrichment	I	84.424	144-200121	07/01/19 - 09/30/20	24,266	24,266	-	22,000	22,000	(2,266)	-
Total CFDA #84.424						29,266	(10,361)	51,456	51,456	11,829	-
<b>Passed-Through the Chester County I.U.</b>											
I.D.E.A. - Part B, Section 611	I	84.027	062-1800024	07/01/18 - 09/30/19	1,808,762	849,663	849,663	-	-	-	-
I.D.E.A. - Part B, Section 611	I	84.027	062-1900024	07/01/19 - 09/30/20	1,692,845	698,683	-	1,692,845	1,692,845	994,162	-
Total CFDA #84.027						1,548,346	849,663	1,692,845	1,692,845	994,162	-
I.D.E.A. - Part B, Section 619	I	84.173	131-1900024	07/01/18 - 06/30/19	4,800	4,800	4,800	-	-	-	-
I.D.E.A. - Part B, Section 619	I	84.173	131-2000024	07/01/19 - 06/30/20	5,100	-	-	5,100	5,100	5,100	-
Total CFDA #84.173						4,800	4,800	5,100	5,100	5,100	-
<b>Total U.S. Department of Education</b>						<b>2,107,210</b>	<b>891,932</b>	<b>2,288,008</b>	<b>2,288,008</b>	<b>1,072,730</b>	<b>-</b>

Continued on next page

<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Dates</u>	<u>Grant Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue July 1, 2019</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2020</u>	<u>Passed Through to Subrecipients</u>
<b>U.S. Department of Health and Human Services</b>											
<b>Passed Through the Pennsylvania Department of Public Welfare</b>											
Medical Assistance Program	I	93.778	N/A	07/01/18 - 06/30/19	27,711	8,127	8,127	-	-	-	-
Medical Assistance Program	I	93.778	N/A	07/01/19 - 06/30/20	28,671	15,280	-	28,671	28,671	13,391	-
Total CFDA #93.778						23,407	8,127	28,671	28,671	13,391	-
<b>U.S. Department of Treasury</b>											
<b>Passed Through the Pennsylvania Commission on Crime and Delinquency</b>											
COVID-19 Relief Fund	I	21.019	2020-CS-01-33382	03/01/20-10/30/20	621,202	-	-	271,002	271,002	271,002	-
<b>U.S. Department of Agriculture</b>											
<b>Passed-Through the Pennsylvania Department of Education</b>											
State Matching Share	S	N/A	N/A	07/01/18 - 06/30/19	N/A	8,150	8,150	-	-	-	-
State Matching Share	S	N/A	N/A	07/01/19 - 06/30/20	N/A	44,642	-	47,365	47,365	2,723	-
Total State Matching Share						52,792	8,150	47,365	47,365	2,723	-
Breakfast Program	I	10.553	N/A	07/01/18 - 06/30/19	N/A	7,945	7,945	-	-	-	-
Breakfast Program	I	10.553	N/A	07/01/19 - 06/30/20	N/A	87,757	-	110,534	110,534	22,777	-
Total CFDA #10.553						95,702	7,945	110,534	110,534	22,777	-
National School Lunch Program	I	10.555	N/A	07/01/18 - 06/30/19	N/A	63,522	63,522	-	-	-	-
National School Lunch Program	I	10.555	N/A	07/01/19 - 06/30/20	N/A	407,985	-	451,064	451,064	43,079	-
<b>Passed-Through the Pennsylvania Department of Agriculture</b>											
National School Lunch Program	I	10.555	N/A	07/01/19 - 06/30/20	N/A	a) 113,021	b) (3,393) c)	111,259	111,259 d)	(5,155)	-
Total CFDA #10.555						584,528	60,129	562,323	562,323	37,924	-
Total U.S. Department of Agriculture						733,022	76,224	720,222	720,222	63,424	-
<b>Total Federal Awards and Certain State Grants</b>						\$ 2,863,639	\$ 976,283	\$ 3,307,903	\$ 3,307,903	\$ 1,420,547	\$ -

Continued on next page

<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Grantor's Number</u>	<u>Grant Period Beginning/ Ending Dates</u>	<u>Grant Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue July 1, 2019</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2020</u>	<u>Passed Through to Subrecipients</u>
Total Federal Awards						\$ 2,810,847	\$ 968,133	\$ 3,260,538	\$ 3,260,538	\$1,417,824	\$ -
Total State Awards						<u>52,792</u>	<u>8,150</u>	<u>47,365</u>	<u>47,365</u>	<u>2,723</u>	<u>-</u>
Total Federal Awards and Certain State Grants						<u>\$ 2,863,639</u>	<u>\$ 976,283</u>	<u>\$ 3,307,903</u>	<u>\$ 3,307,903</u>	<u>\$1,420,547</u>	<u>\$ -</u>
Special Education Cluster (IDEA) (CFDA's #84.027 and #84.173)						<u>\$ 1,553,146</u>	<u>\$ 854,463</u>	<u>\$ 1,697,945</u>	<u>\$ 1,697,945</u>	<u>\$ 999,262</u>	<u>\$ -</u>
Child Nutrition Cluster (CFDA's #10.553 and #10.555)						<u>\$ 680,230</u>	<u>\$ 68,074</u>	<u>\$ 672,857</u>	<u>\$ 672,857</u>	<u>\$ 60,701</u>	<u>\$ -</u>

#### **Footnotes**

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

#### **Source Codes**

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

## **DOWNINGTOWN AREA SCHOOL DISTRICT**

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

**June 30, 2020**

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#### **(1) FEDERAL EXPENDITURES**

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

#### **(2) BASIS OF ACCOUNTING**

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

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

The Commonwealth of Pennsylvania distributes federal surplus food to institutions (schools, hospitals and prisons) and to the needy. Expenditures reported in the Schedule of Expenditures of Federal Awards and Certain State Grants under CFDA #10.555 National School Lunch Program and passed through the Pennsylvania Department of Agriculture represent federal surplus food consumed by the District during the 2019-2020 fiscal year.

#### **(4) ACCESS PROGRAM**

The District participates in the ACCESS Program which is a medical assistance program that reimburses local educational agencies for direct eligible health-related services provided to enrolled special needs students. Reimbursements are federal source revenues but are classified as fee-for-service and are not considered federal financial assistance. The amount of ACCESS funding recognized for the year ended June 30, 2020 was \$568,980.

#### **(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, 2020 was \$1,846,765.

#### **(5) INDIRECT COSTS**

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

**DOWNTOWN AREA SCHOOL DISTRICT**

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

**Year ended June 30, 2020**

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There were no audit findings for the year ended June 30, 2019.



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

**Board of School Directors  
Downingtown Area School District  
Downingtown, Pennsylvania**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Downingtown Area School District, Downingtown, Pennsylvania, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Downingtown Area School District's basic financial statements, and have issued our report thereon dated December 1, 2020.

***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

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



***Purpose of this Report***

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

BBD, LLP

**Philadelphia, Pennsylvania  
December 1, 2020**



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

**Board of School Directors  
Downingtown Area School District  
Downingtown, Pennsylvania**

***Report on Compliance for Each Major Federal Program***

We have audited Downingtown Area School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Downingtown Area School District's major federal programs for the year ended June 30, 2020. Downingtown Area School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Downingtown Area School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("**Uniform Guidance**"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Downingtown Area School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Downingtown Area School District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Downingtown Area School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

### ***Report on Internal Control over Compliance***

Management of Downingtown Area School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Downingtown Area School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Downingtown Area School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

BBD, LLP

**Philadelphia, Pennsylvania  
December 1, 2020**

# **DOWNINGTOWN AREA SCHOOL DISTRICT**

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

**Year ended June 30, 2020**

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### **SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Downingtown Area School District were prepared in accordance with GAAP.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements of Downingtown Area School District are reported in the independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of Downingtown Area School District, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over the major federal award programs are reported in the independent auditor's report on compliance for each major program and on internal control over compliance required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for Downingtown Area School District expresses an unmodified opinion on all major federal programs.
6. There are no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a).
7. The programs tested as major programs were:
  - Special Education Cluster:
    - I.D.E.A. – Part B, Section 611 – CFDA Number 84.027
    - I.D.E.A. – Part B, Section 619 – CFDA Number 84.173
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. Downingtown Area School District did qualify as a low-risk auditee.

### **FINDINGS—FINANCIAL STATEMENT AUDIT**

None

### **FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None