

Financial Statements

Downingtown Area School District

June 30, 2016

***R**ainer
& Company*

A Professional Corporation
Certified Public Accountants

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A Professional Corporation
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of School Directors
Downingtown Area School District
Downingtown, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Downingtown Area School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Downingtown Area School District, as of June 30, 2016, 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

Required Supplementary Information

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

Other Information

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

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

In our opinion, the supplementary information on pages 53-60 is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2016, on our consideration of Downingtown Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Downingtown Area School District's internal control over financial reporting and compliance.


Rainer & Company

Newtown Square, PA
December 7, 2016

DOWNINGTOWN AREA SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2016

The discussion and analysis of Downingtown Area School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the financial statements, notes to the financial statements, and supplemental information in this report.

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

FINANCIAL HIGHLIGHTS

During the fiscal year ended June 30, 2016, the change in the total Governmental Funds fund balance was an increase of \$4.5 million. This change was primarily due to General Fund revenues exceeding General Fund and Capital Projects Fund expenditures. In the budgeting process, the District was able to fund the 2015-2016 general fund budget without an increase in the real estate tax rate, keeping the millage rate at 27.182. General Fund revenue from local sources increased \$4.5 million over the prior year primarily due to a \$3.5 million increase in real estate tax revenue as a result of assessment growth and increased interim collections. In addition, an increase in realty transfer tax revenue of nearly \$0.8 million contributed to the local source revenue increase. General Fund revenue from state sources increased almost \$3.0 million over the prior year primarily due to a \$2.1 million increase in the retirement subsidy, caused by an increase in the Public School Employees' Retirement System of Pennsylvania (PSERS) contribution rate, and an increase in the Basic Instruction subsidy and Ready to Learn Grant of \$0.6 million. General Fund revenue from federal sources was about the same as the prior year. General Fund expenditures increased \$11.5 million over the prior year primarily due to increases in employee benefit costs (including PSERS contribution increase), salaries, charter school costs, special education costs, and student transportation costs.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

DOWNTOWN AREA SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2016

Government-Wide Financial Statements (Continued)

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

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

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

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

Fund Level Financial Statements

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

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

DOWNTOWNTOWN AREA SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2016

Fund Level Financial Statements (Continued)

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

FINANCIAL ANALYSIS OF THE DISTRICT - GOVERNMENT-WIDE STATEMENTS

The District's total net position was \$71,257,865 at June 30, 2016. The following table presents condensed financial information for the net position of the District as of June 30, 2016 and June 30, 2015. The increase in current assets is due to an increase in cash and investments from cash revenues exceeding cash expenditures. The increase in deferred outflows of resources is due to the increase in pension contributions and other costs determined by PSERS that are recognized as a deferred outflow.

The increase in current liabilities is due to an increase in accounts payable and unearned revenue, and the increase in noncurrent liabilities is due to the increase in the District's portion of the PSERS pension liability, offset by a decrease in bonds payable. Deferred inflows of resources decreased due to the reduction of the District's portion of the net difference between projected and actual PSERS pension investment earnings.

The net position invested in capital assets net of related debt reflects an increase over the prior year due to the reduction of bonds payable. The net position restricted for capital projects reflects the change in the District's capital projects fund balance compared to the prior year, which includes a transfer of \$33.8 million to the debt service fund which is reflected below in the net position restricted for debt service.

Schedule of Net Position
For the Year Ended June 30, 2016

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current Assets	\$ 197,626,713	\$ 187,613,985	\$ 1,477,105	\$ 1,223,409	\$ 199,103,818	\$ 188,837,394
Capital Assets	289,445,972	291,785,764	1,010,841	918,177	290,456,813	292,703,941
Deferred Outflows of Resources	38,878,641	29,517,080	43,253	31,638	38,921,894	29,548,718
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	525,951,326	508,916,829	2,531,199	2,173,224	528,482,525	511,090,053
Current Liabilities	40,742,908	34,700,440	371,931	323,022	41,114,839	35,023,462
Noncurrent Liabilities	414,003,447	390,390,896	398,374	355,450	414,401,821	390,746,346
Deferred Inflows of Resources	1,705,549	17,684,590	2,451	25,410	1,708,000	17,710,000
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	456,451,904	442,775,926	772,756	703,882	457,224,660	443,479,808
Net Position:						
Invested in Capital Assets, Net of Related Debt	162,982,124	157,214,480	1,010,841	918,177	163,992,965	158,132,657
Restricted: Capital Projects	102,388,364	132,101,819	0	0	102,388,364	132,101,819
Restricted: Debt Service	33,893,669	0	0	0	33,893,669	0
Unrestricted	(229,764,735)	(223,175,396)	747,602	551,165	(229,017,133)	(222,624,231)
TOTAL NET POSITION	\$ 69,499,422	\$ 66,140,903	\$ 1,758,443	\$ 1,469,342	\$ 71,257,865	\$ 67,610,245

DOWNINGTOWN AREA SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2016

The condensed statement of activities below shows the results of this year's operations as a whole compared to the prior year. Consistent with fiscal year 2015, total revenues exceeded total expenses in fiscal year 2016. This resulted in an increase in net assets of \$3,647,620 in fiscal year 2016.

The net increase in revenue in fiscal year 2016 compared to fiscal year 2015 is primarily due to the increases in operating grants due to a higher PSERS contribution rate which provided a higher reimbursement from the state, and increased property tax revenue. The increase in expenses in fiscal year 2016 compared to fiscal year 2015 is primarily due to the increase in employee salaries and benefit costs including the increase in the PSERS employer contribution rate.

Statement of Activities
For the Year Ended June 30, 2016

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
REVENUES:						
Program Services:						
Charges for Services	\$ 1,797,427	\$ 1,392,866	\$3,586,708	\$3,297,150	\$ 5,384,135	\$ 4,690,016
Operating Grants and Contributions	30,460,671	27,852,600	649,124	582,106	31,109,795	28,434,706
General Revenues:						
Property Taxes	142,042,447	138,625,406	0	0	142,042,447	138,625,406
Other Taxes	19,440,793	18,419,069	0	0	19,440,793	18,419,069
Grants, Subsidies and Contributions Not Restricted	17,679,551	17,356,501	197,397	415,105	17,876,948	17,771,606
Other Revenue	1,347,686	1,697,687	3,263	935	1,350,949	1,698,622
Transfers In (Out)	0	(11,838)	0	11,838	0	0
TOTAL REVENUES	<u>212,768,575</u>	<u>205,332,291</u>	<u>4,436,492</u>	<u>4,307,134</u>	<u>217,205,067</u>	<u>209,639,425</u>
EXPENSES:						
Instruction	127,560,288	119,378,580	0	0	127,560,288	119,378,580
Instructional Student Support	15,751,170	15,022,000	0	0	15,751,170	15,022,000
Administrative and Financial Support	17,832,691	15,805,025	0	0	17,832,691	15,805,025
Operation and Maintenance of Plant Services	15,118,176	15,780,182	0	0	15,118,176	15,780,182
Pupil Transportation	11,391,545	10,940,409	0	0	11,391,545	10,940,409
Student Activities	3,837,347	3,823,129	0	0	3,837,347	3,823,129
Community Services	78,785	66,923	0	0	78,785	66,923
Interest on Long-Term Debt	5,243,395	6,995,557	0	0	5,243,395	6,995,557
Unallocated Depreciation Expense	12,596,659	11,897,951	0	0	12,596,659	11,897,951
Food Services	0	0	4,147,391	3,930,862	4,147,391	3,930,862
TOTAL EXPENSES	<u>209,410,056</u>	<u>199,709,756</u>	<u>4,147,391</u>	<u>3,930,862</u>	<u>213,557,447</u>	<u>203,640,618</u>
CHANGE IN NET POSITION	<u>\$ 3,358,519</u>	<u>\$ 5,622,535</u>	<u>\$ 289,101</u>	<u>\$ 376,272</u>	<u>\$ 3,647,620</u>	<u>\$ 5,998,807</u>

DOWNINGTOWN AREA SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2016

EXPENSES

The following table presents condensed financial information on the expenses 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.

Expense Analysis
For the Year Ended June 30, 2016

Governmental Activities

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	2016	2015	2016	2015
Expenses - Governmental Activities:				
Instruction	\$127,560,288	\$119,378,580	\$105,901,944	\$ 99,636,812
Instructional Student Support	15,751,170	15,022,000	14,013,165	13,570,833
Administrative and Financial Support	17,832,691	15,805,025	16,502,966	14,697,200
Operation and Maintenance of Plant Services	15,118,176	15,780,182	13,084,800	13,946,022
Pupil Transportation	11,391,545	10,940,409	7,340,831	7,108,079
Student Activities	3,837,347	3,823,129	2,391,564	2,546,848
Community Services	78,785	66,923	76,634	64,988
Interest on Long-Term Debt	5,243,395	6,995,557	5,243,395	6,995,557
Unallocated Depreciation Expense	12,596,659	11,897,951	12,596,659	11,897,951
TOTAL EXPENSES	<u>\$209,410,056</u>	<u>\$199,709,756</u>	177,151,958	170,464,290
Less: Grants, Subsidies and Contributions Not Restricted			<u>(17,679,551)</u>	<u>(17,356,501)</u>
AMOUNT NEEDED TO BE FUNDED BY OTHER REVENUE SOURCES			<u>\$159,472,407</u>	<u>\$153,107,789</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>	
	2016	2015	2016	2015
Expenses - Business-Type Activities:				
Food Services	<u>\$ 4,147,391</u>	<u>\$ 3,930,862</u>	<u>\$ (289,101)</u>	<u>\$ (376,272)</u>

DOWNTOWNTOWN AREA SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2016

FINANCIAL ANALYSIS OF THE DISTRICT - FUND LEVEL STATEMENTS

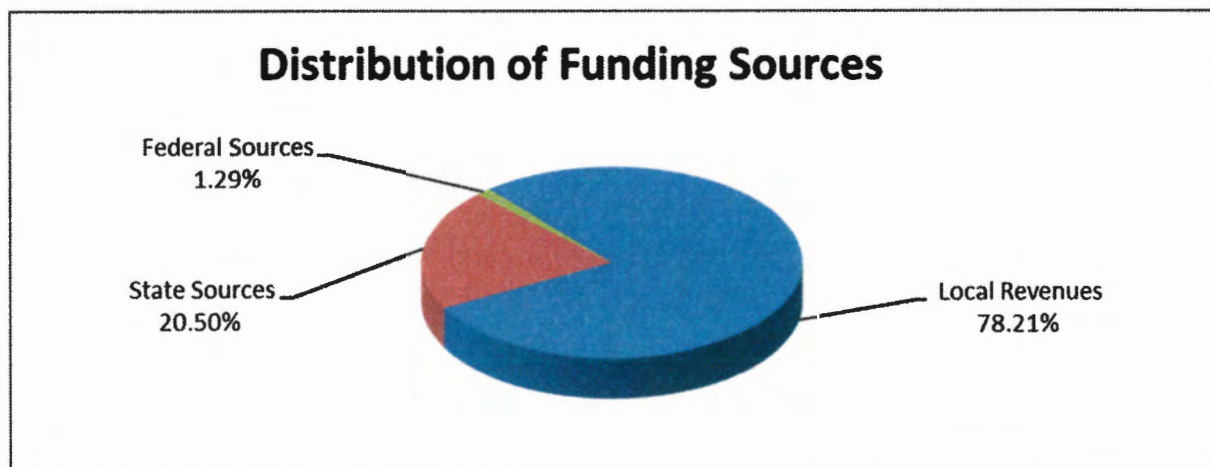
General Fund

At June 30, 2016, the District reported an unassigned fund balance of \$16,888,960. The unassigned fund balance is 8% of the 2016-2017 general fund budgeted expenditures which is in accordance with state regulations and consistent with the prior year. The District also has assigned fund balance of \$7,720,000 as of June 30, 2016 to fund future PSERS contribution increases and future healthcare claims.

REVENUE

General Fund revenues, which totaled \$211,968,925, increased \$7,372,922 or 3.60% over prior year revenues. The following table reflects a comparison of current year revenues to prior year revenues:

	Revenue 2016	% of Total	Increase (Decrease) From 2015	Percentage Increase (Decrease)
Local Revenues	\$ 165,798,902	78.21%	\$ 4,451,185	2.76%
State Sources	43,445,079	20.50%	2,955,603	7.30%
Federal Sources	2,724,944	1.29%	(33,866)	-1.23%
TOTAL REVENUES	\$ 211,968,925	100.00%	\$ 7,372,922	3.60%



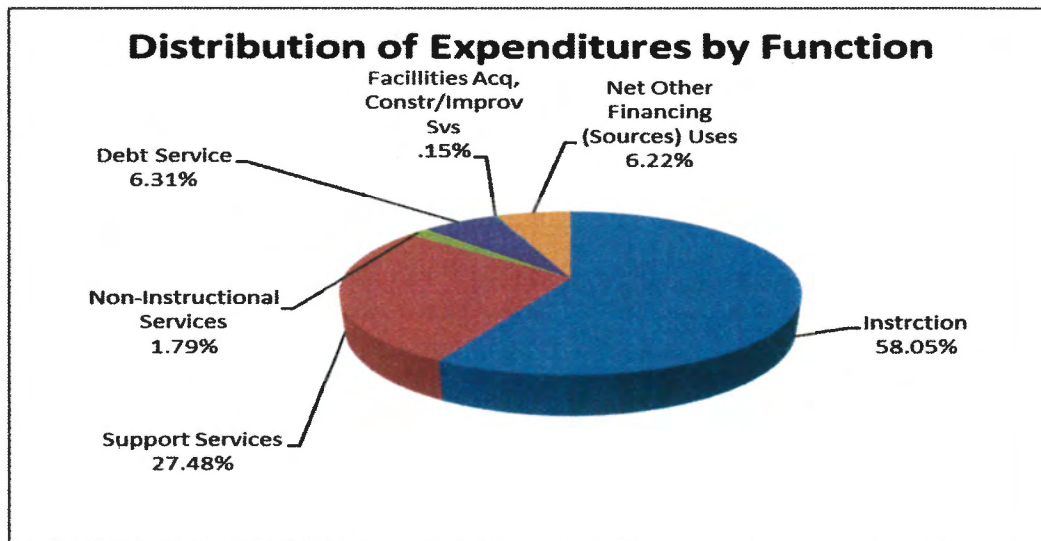
Revenue from local sources primarily includes revenue from real estate taxes levied by the District. The increase over prior year is primarily due to increases in current real estate taxes as a result of assessment growth, increased interim tax collections, and an increase in real estate transfer tax revenue. State source revenue had a net increase of almost \$3 million compared to 2014-2015 primarily due to a \$2.1 million increase in the retirement subsidy, caused by an increase in the PSERS contribution rate, and an increase in the Basic Instruction subsidy and Ready to Learn Grant of \$0.6 million. General Fund revenue from federal sources decreased primarily due to a decrease in the Title I Grant funding.

DOWNINGTOWN AREA SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2016

EXPENDITURES

General Fund expenditures and net other financing uses, which total \$211,631,515, increased \$5,201,536 over the 2014-2015 expenditures, and were a net \$2,501,407 over final budget after transfers to the Capital Projects Fund. The expenditures are segregated into various programs depending on the functions of the activity. These programs and the costs associated with each are compared to the prior year and the final 2015-2016 budget as follows:

	Expenditures 2016	% of Total	Increase (Decrease) From 2015	Variance with Final Budget - Positive (Negative)
Instruction	\$ 122,852,991	58.05%	\$ 8,515,955	\$ 5,306,593
Support Services	58,164,456	27.48%	3,304,901	766,603
Non-Instructional Services	3,781,391	1.79%	39,133	9,641
Facilities Acq, Construct/Improv Scvs	311,756	0.15%	124,135	27,629
Debt Service	13,361,677	6.31%	(525,451)	3,965,431
Net Other Financing Uses (Sources)	13,159,244	6.22%	(6,257,137)	(12,577,304)
TOTAL EXPENDITURES BY FUNCTION	\$ 211,631,515	100.00%	\$ 5,201,536	\$ (2,501,407)



The increase in the Instruction, Support Services, and Non-Instructional expenses is primarily due to increases in employee benefit costs (including PSERS contribution increase), salaries, charter school costs, special education costs, and student transportation costs. The decrease in Debt Service is due to lower interest expense caused by the defeasance of two debt issues during the prior year. Facilities improvements increased due to more scheduled maintenance projects. The decrease in Net Other Financing Uses (Sources) compared to the prior year is primarily due to a decrease in the amount transferred out of the General Fund and into the District's Capital Projects fund. The positive final budget variances for Instruction, Support Services, and Non-Instructional services expenses were due primarily to lower salary and benefit costs than budgeted. The positive Debt Service variance is due to the defeasance of two debt issues which were not reflected in the budget. The Net Other Financing Uses final budget variance is primarily caused by the unbudgeted amount transferred to the Capital Projects Fund from the General Fund.

DOWNINGTOWN AREA SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2016

Capital Projects Fund

At June 30, 2016, the District reported a fund balance of \$102,388,364, which is a decrease of \$29,713,455 from the prior year. This change was primarily due to a \$33.8 million transfer from the Capital Projects Fund to the Debt Service Fund. In addition, the Capital Project Funds reported \$10.1 million in expenses and \$502,317 in interest earnings. The June 30, 2016 fund balance will be used to fund future capital projects, equipment, or other budgetary needs.

Debt Service Fund

At June 30, 2016, the District reported a fund balance of \$33,893,669. The fund was established as the result of a \$33.8 million transfer from the Capital Projects Fund for the purpose of paying future debt service commitments, and therefore, reducing future debt service expense in the General Fund. In addition, the fund reported \$44,362 in interest earnings.

DOWNINGTOWN AREA SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2016

CAPITAL ASSETS

At June 30, 2016, the District governmental activities and business-type activities had a total of \$290,456,813 invested in net capital assets, including land, buildings, and furniture and equipment. This amount represents a net decrease of \$2,247,128 from last year primarily due to depreciation. A summary schedule of the District's capital assets is shown in the table below.

Schedule of Capital Assets
June 30, 2016

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets:				
Land	\$ 41,375,333	\$ 0	\$ 7,349	\$ 41,367,984
Land Improvements	15,794,263	2,995,981	0	18,790,244
Buildings	321,049,981	3,433,258	32,779	324,450,460
Construction in Progress	5,212,676	10,172,102	9,570,990	5,813,788
Furniture and Equipment	27,536,235	3,237,562	2,842,847	27,930,950
TOTAL CAPITAL ASSETS	410,968,488	19,838,903	12,453,965	418,353,426
 Accumulated Depreciation for:				
Land Improvements	11,384,432	929,311	0	12,313,743
Buildings	94,251,803	7,550,850	32,779	101,769,874
Furniture and Equipment	13,546,489	4,116,498	2,839,150	14,823,837
TOTAL ACCUMULATED DEPRECIATION	119,182,724	12,596,659	2,871,929	128,907,454
 GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	\$ 291,785,764	\$ 7,242,244	\$ 9,582,036	\$ 289,445,972
 Business-Type Activities:				
Capital Assets:				
Furniture and Equipment	\$ 3,151,674	\$ 205,427	\$ 338,784	\$ 3,018,317
 Accumulated Depreciation for:				
Furniture and Equipment	2,233,497	112,763	338,784	2,007,476
 BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	\$ 918,177	\$ 92,664	\$ 0	\$ 1,010,841

DOWNINGTOWN AREA SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2016

DEBT ADMINISTRATION

As of June 30, 2016, the District had total long-term debt of \$126,463,848, a net decrease of \$8,107,436 over last year primarily caused by principal payments of \$7,739,632 in 2015-2016. The District's outstanding long-term debt has been incurred to fund construction projects over the years with subsequent re-financings. The outstanding bond issues at June 30, 2016 are dated from 2006 to 2011.

Schedule of Debt Service
June 30, 2016

	Principal Outstanding July 1, 2015	Maturities	Additions (Refinancing)	Principal Outstanding June 30, 2016
General Obligation Note Series A of 2006	\$ 19,200,000	\$ 100,000	\$ 0	\$ 19,100,000
General Obligation Note Series C of 2006	15,200,000	0	0	15,200,000
General Obligation Bonds Series AA of 2009	45,050,000	4,330,000	0	40,720,000
General Obligation Bonds Series of 2010	18,975,000	910,000	0	18,065,000
General Obligation Bonds Series A QSCB of 2010	21,643,468	1,664,882	0	19,978,586
General Obligation Bonds Series C QCSB of 2011	11,021,250	734,750	0	10,286,500
TOTAL	131,089,718	7,739,632	0	123,350,086
Less: Deferred Amounts:				
Issuance Premium (Discounts)	3,481,566	367,804	0	3,113,762
LONG-TERM DEBT	\$ 134,571,284	\$ 8,107,436	\$ 0	\$ 126,463,848

DOWNINGTOWN AREA SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2016

THE DISTRICT'S FUTURE

The level of state funding that the District will receive in future years is uncertain. There has been a new basic education subsidy funding formula established by the state that should result in additional state funding to the District, however it is unclear how much additional funding it will provide each year. The political decisions influencing the state budgets are a key factor in determining the level of funding to the District. Currently the District is limited in the percent amount by which it can increase property taxes for future years, due to the Pennsylvania state legislature's Act 1 of 2006. The District estimates that its property tax assessment base will continue to experience growth, and the District continues to see enrollment growth. The projected PSERS employer contribution rate for future years will continue to rise, but at a smaller rate than in the past. The District is well positioned to handle 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.

COMPREHENSIVE EDUCATION PLAN

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

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

FINANCIAL MANAGEMENT

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

DOWNINGTOWN AREA SCHOOL DISTRICT

Statement of Net Position

June 30, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current:			
Cash and Cash Equivalents	\$ 26,965,070	\$ 582,266	\$ 27,547,336
Investments	159,764,019	845,588	160,609,607
Interest Receivable	231,540	0	231,540
Taxes Receivable, Net	4,137,166	0	4,137,166
Internal Balances	0	8,095	8,095
Due from Other Governments	6,149,615	18,395	6,168,010
Other Receivables	376,903	9,062	385,965
Inventories	0	13,699	13,699
Prepaid Expenses	2,400	0	2,400
TOTAL CURRENT ASSETS	197,626,713	1,477,105	199,103,818
Capital Assets, Net of Accumulated Depreciation	289,445,972	1,010,841	290,456,813
TOTAL ASSETS	487,072,685	2,487,946	489,560,631
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources: Accumulated			
Decrease in Fair Value of Hedging Derivatives	8,776,133	0	8,776,133
Deferred Outflows of Resources: Pension Plan	30,102,508	43,253	30,145,761
TOTAL DEFERRED OUTFLOWS OF RESOURCES	38,878,641	43,253	38,921,894
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 525,951,326	\$ 2,531,199	\$ 528,482,525
LIABILITIES			
Current:			
Accounts Payable and Other Current Liabilities	\$ 28,997,271	\$ 255,968	\$ 29,253,239
Internal Balances	8,095	0	8,095
Bonds and Notes Payable Due Within One Year	7,984,632	0	7,984,632
Accrued Interest	383,426	0	383,426
Unearned Revenues	3,369,484	115,963	3,485,447
TOTAL CURRENT LIABILITIES	40,742,908	371,931	41,114,839
Noncurrent:			
Bonds and Notes Payable Due After One Year	118,479,216	0	118,479,216
Deferred Instrument Liability - Interest Rate Swap	8,776,133	0	8,776,133
Net Pension Liability	277,252,626	398,374	277,651,000
Accrued Post-Employment Benefits	6,758,791	0	6,758,791
Compensated Absences	2,736,681	0	2,736,681
TOTAL NONCURRENT LIABILITIES	414,003,447	398,374	414,401,821
TOTAL LIABILITIES	454,746,355	770,305	455,516,660
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflow of Resources: Pension Plan	1,705,549	2,451	1,708,000
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	456,451,904	772,756	457,224,660
NET POSITION			
Invested in Capital Assets, Net of Related Debt	162,982,124	1,010,841	163,992,965
Restricted for: Capital Projects	102,388,364	0	102,388,364
Restricted for: Debt Service	33,893,669	0	33,893,669
Unrestricted	(229,764,735)	747,602	(229,017,133)
TOTAL NET POSITION	69,499,422	1,758,443	71,257,865
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 525,951,326	\$ 2,531,199	\$ 528,482,525

The accompanying notes are an integral part of this statement.

DOWNINGTOWN AREA SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2016

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges For Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities
					Total
Governmental Activities:					
Instruction	\$ 127,560,288	\$ (71,276)	\$ (21,587,068)	\$ (105,901,944)	\$ (105,901,944)
Instructional Student Support	15,751,170	0	(1,738,005)	(14,013,165)	(14,013,165)
Administrative and Financial Support Services	17,832,691	0	(1,329,725)	(16,502,966)	(16,502,966)
Operation and Maintenance of Plant Operation	15,118,176	(595,255)	(1,438,121)	(13,084,800)	(13,084,800)
Pupil Transportation	11,391,545	0	(4,050,714)	(7,340,831)	(7,340,831)
Student Activities	3,837,347	(1,130,896)	(314,887)	(2,391,564)	(2,391,564)
Community Services	78,785	0	(2,151)	(76,634)	(76,634)
Interest on Long-Term Debt	5,243,395	0	0	(5,243,395)	(5,243,395)
Unallocated Depreciation Expense	12,596,659	0	0	(12,596,659)	(12,596,659)
TOTAL GOVERNMENTAL ACTIVITIES	209,410,056	(1,797,427)	(30,460,671)	(177,151,958)	(177,151,958)
Business-Type Activities:					
Food Services	4,147,391	(3,586,708)	(649,124)	0	88,441
TOTAL PRIMARY GOVERNMENT	\$ 213,557,447	\$ (5,384,135)	\$ (31,109,795)	\$ (177,151,958)	\$ 88,441
General Revenues:					
Taxes:					
Property Taxes, Levied for General Purposes, Net				142,042,447	0
Public Utility Realty, Earned Income and Realty Transfer Taxes, Levied for General Purposes, Net				19,440,793	0
Grants, Subsidies and Contributions Not Restricted				17,679,551	197,397
Investment Earnings				670,923	3,263
Sale of Capital Assets				235,891	0
Miscellaneous Income				440,872	0
TOTAL GENERAL REVENUES AND SPECIAL ITEMS				180,510,477	200,660
CHANGE IN NET POSITION				3,358,519	289,101
Net Position - July 1, 2015				66,140,903	1,469,342
NET POSITION - JUNE 30, 2016				\$ 69,499,422	\$ 1,758,443

The accompanying notes are an integral part of this statement.

DOWNINGTOWN AREA SCHOOL DISTRICT

Balance Sheet
Governmental Funds
June 30, 2016

<u>ASSETS</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Cash and Cash Equivalents	\$ 15,905,774	\$ 11,059,296	\$ 0	\$ 26,965,070
Investments	44,485,641	80,465,048	33,850,765	158,801,454
Interest Receivable	85,123	104,136	42,904	232,163
Taxes Receivable	4,137,166	0	0	4,137,166
Due from Other Funds	0	13,127,754	0	13,127,754
Due from Other Governments	6,149,615	0	0	6,149,615
Other Receivables	376,280	0	0	376,280
Prepaid Expenses	2,400	0	0	2,400
TOTAL ASSETS	\$ 71,141,999	\$ 104,756,234	\$ 33,893,669	\$ 209,791,902
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>				
Liabilities:				
Accounts Payable and				
Other Accrued Liabilities	\$ 6,820,798	\$ 2,367,870	\$ 0	\$ 9,188,668
Due to Other Funds	13,135,849	0	0	13,135,849
Accrued Salaries and Benefits	19,808,603	0	0	19,808,603
Unearned Revenues	3,369,484	0	0	3,369,484
TOTAL LIABILITIES	43,134,734	2,367,870	0	45,502,604
Deferred Inflows of Resources:				
Unavailable Revenue - Property Taxes	3,395,905	0	0	3,395,905
Fund Balances:				
Nonspendable	2,400	0	0	2,400
Assigned	7,720,000	102,388,364	33,893,669	144,002,033
Unassigned	16,888,960	0	0	16,888,960
TOTAL FUND BALANCES	24,611,360	102,388,364	33,893,669	160,893,393
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 71,141,999	\$ 104,756,234	\$ 33,893,669	\$ 209,791,902

The accompanying notes are an integral part of this statement.

DOWNINGTOWN AREA SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2016

Total Fund Balances - Governmental Funds		\$ 160,893,393
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of assets is \$418,353,426, and the accumulated depreciation is \$128,907,454		289,445,972
Some of the District's revenues will be collected after year end and are, therefore, not reported in the funds statements		3,395,905
Derivative instruments used in governmental activities are not financial resources and, therefore, are not reported in the fund statements		962,565
Some of the District's liabilities are not due and payable in the current period and are, therefore, not reported in the fund statements:		
Bonds and Notes Payable	\$ 126,463,848	
Accrued Interest on the Bonds	383,426	
Net Pension Liability	277,252,626	
Accrued Post-Employment Benefits	6,758,791	
Compensated Absences	<u>2,736,681</u>	(413,595,372)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the fund statements		
Deferred Outflows of Resources - Pension Plan	\$30,102,508	
Deferred Inflows of Resources - Pension Plan	<u>(1,705,549)</u>	<u>28,396,959</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		<u>\$ 69,499,422</u>

The accompanying notes are an integral part of this statement.

DOWNINGTOWN AREA SCHOOL DISTRICT

Statement of Revenues, Expenditures,

and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2016

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Revenues:				
Local Sources:				
Real Estate Taxes	\$ 142,003,943	\$ 0	\$ 0	\$ 142,003,943
Realty Transfer Tax	3,348,454	0	0	3,348,454
Earned Income Taxes	15,700,345	0	0	15,700,345
Other Taxes	391,994	0	0	391,994
Earnings from Investments	475,958	502,317	44,362	1,022,637
Other Local Revenues	3,878,208	0	0	3,878,208
State Sources	43,445,079	0	0	43,445,079
Federal Sources	2,724,944	0	0	2,724,944
TOTAL REVENUES	211,968,925	502,317	44,362	212,515,604
Expenditures:				
Instruction	122,852,991	2,860,100	0	125,713,091
Support Services	58,164,456	977,895	0	59,142,351
Non-Instructional Services	3,781,391	31,142	0	3,812,533
Facilities Acquisition, Construction/Improvement Services	311,756	6,233,798	0	6,545,554
Debt Service	13,361,677	0	0	13,361,677
TOTAL EXPENDITURES	198,472,271	10,102,935	0	208,575,206
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	13,496,654	(9,600,618)	44,362	3,940,398
Other Financing Sources (Uses):				
Interfund Transfers In (Reimbursement)	0	10,243,845	0	10,243,845
Interfund Transfers In (Non-Reimbursement)	0	6,474,081	33,849,307	40,323,388
Interfund Transfers Out (Reimbursement)	(6,653,673)	(3,590,172)	0	(10,243,845)
Interfund Transfers Out (Non-Reimbursement)	(6,474,081)	(33,849,307)	0	(40,323,388)
Sale of Capital Assets	45,414	201,522	0	246,936
Refunds of Prior Years Revenues	(141,739)	0	0	(141,739)
Refunds of Prior Years Expenses	64,835	407,194	0	472,029
TOTAL OTHER FINANCING SOURCES (USES)	(13,159,244)	(20,112,837)	33,849,307	577,226
NET CHANGE IN FUND BALANCES	337,410	(29,713,455)	33,893,669	4,517,624
Fund Balances - July 1, 2015	24,273,950	132,101,819	0	156,375,769
FUND BALANCES - JUNE 30, 2016	\$ 24,611,360	\$ 102,388,364	\$ 33,893,669	\$ 160,893,393

The accompanying notes are an integral part of this statement.

DOWNTOWNTOWN AREA SCHOOL DISTRICT
Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities
For the Year Ended June 30, 2016

Total Net Change in Fund Balances - Governmental Funds	\$	4,517,624
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Amounts reported for governmental activities in the statement of activities are different because:

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

Capital Outlay	\$ 10,267,914		
Depreciation Expense	<u>(12,596,659)</u>		(2,328,745)

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

(11,046)

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

Principal Payments on Long-Term Term Liabilities	\$ 7,739,632		
Bond Issuance Premium	<u>367,804</u>		8,107,436

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

(351,714)

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

38,504

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

Accrued Post-Employment Benefits	\$ (701,242)		
Accrued Interest on the Bonds	10,846		
Compensated Absences	<u>(112,847)</u>		(803,243)

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

District Pension Contributions	\$ 20,835,823		
Cost of Benefits Earned Net of Employee Contributions	<u>(26,646,119)</u>		<u>(5,810,296)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>3,358,520</u>
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The accompanying notes are an integral part of this statement.

DOWNINGTOWN AREA SCHOOL DISTRICT

Statement of Net Position

Proprietary Funds

June 30, 2016

<u>ASSETS</u>	<u>Food Services</u>
Current:	
Cash and Cash Equivalents	\$ 582,266
Investments	845,588
Due from Other Governments	18,395
Due from Other Funds	8,095
Other Receivables	9,062
Inventories	13,699
TOTAL CURRENT ASSETS	<u>1,477,105</u>
Non-Current:	
Furniture and Equipment	3,018,317
Less: Accumulated Depreciation	(2,007,476)
TOTAL NON-CURRENT ASSETS	<u>1,010,841</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred Outflows of Resources - Pension Plan	<u>43,253</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 2,531,199</u>
<u>LIABILITIES</u>	
Current:	
Accounts Payable	\$ 233,400
Accrued Salaries and Benefits	22,568
Unearned Revenue	115,963
TOTAL CURRENT LIABILITIES	<u>371,931</u>
Long-Term:	
Net Pension Liability	<u>398,374</u>
TOTAL LIABILITIES	<u>770,305</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred Inflows of Resources - Pension Plan	<u>2,451</u>
<u>NET POSITION</u>	
Invested in Capital Assets, Net of Related Debt	1,010,841
Unrestricted	747,602
TOTAL NET POSITION	<u>1,758,443</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 2,531,199</u>

The accompanying notes are an integral part of this statement.

DOWNINGTOWN AREA SCHOOL DISTRICT
Statement of Revenues, Expenses and
Changes in Net Position -
Proprietary Funds
For the Year Ended June 30, 2016

	<u>Food Services</u>
Operating Revenues:	
Food Service Revenue	<u>\$ 3,586,708</u>
Operating Expenses:	
Professional and Contract Services	3,519,370
Salaries and Benefits	215,591
Depreciation	112,763
Other Operating Expenditures	299,667
TOTAL OPERATING EXPENSES	<u>4,147,391</u>
OPERATING LOSS	<u>(560,683)</u>
Non-Operating Revenues:	
Earnings on Investments	3,263
State Sources	76,120
Federal Sources	573,004
TOTAL NON-OPERATING REVENUES	<u>652,387</u>
GAIN BEFORE CONTRIBUTIONS AND TRANSFERS IN	91,704
Contributions and Transfers In:	
Capital Contribution	<u>197,397</u>
INCREASE IN NET POSITION	289,101
Total Net Position - July 1, 2015	<u>1,469,342</u>
TOTAL NET POSITION - JUNE 30, 2016	<u><u>\$ 1,758,443</u></u>

The accompanying notes are an integral part of this statement.

DOWNINGTOWN AREA SCHOOL DISTRICT

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2016

	Food Services
Cash Flows From Operating Activities:	
Cash Received from Users	\$ 3,602,830
Cash Payments to Suppliers for Goods and Services	(3,965,818)
NET CASH USED BY OPERATING ACTIVITIES	(362,988)
Cash Flows From Non-Capital Financing Activities:	
State Sources	75,108
Federal Sources	565,241
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	640,349
Cash Flows From Capital and Related Financing Activities:	
Acquisition of Capital Assets	(8,030)
Cash Flows From Investing Activities:	
Earnings on Investments	3,263
Purchase of Investment Securities/Deposits to Investment Pools	(1,427)
NET CASH PROVIDED BY INVESTING ACTIVITIES	1,836
NET DECREASE IN CASH AND CASH EQUIVALENTS	271,167
Cash and Cash Equivalents - July 1, 2015	311,099
CASH AND CASH EQUIVALENTS - JUNE 30, 2016	\$ 582,266
<u>Supplemental Schedule of Non-Cash Capital Financing Activities:</u>	
Contributed Capital - Equipment	\$ 197,397
<u>Reconciliation of Operating Loss to Net Cash Used by Operating Activities:</u>	
Operating Loss	\$ (560,683)
Adjustments to Reconcile Operating Loss	
to Net Cash Used by Operating Activities:	
Depreciation	112,763
Changes in Assets and Liabilities:	
Accounts Receivable	541
Advances from Other Funds	19,155
Inventories	7,977
Deferred Outflows of Resources - Pension Plan	(11,615)
Accounts Payable	52,370
Accrued Salaries and Benefits	113
Net Pension Liability	42,924
Unearned Revenue	(3,574)
Deferred Inflows of Resources - Pension Plan	(22,959)
NET CASH USED BY OPERATING ACTIVITIES	\$ (362,988)

The accompanying notes are an integral part of this statement.

DOWNINGTOWN AREA SCHOOL DISTRICT
Statement of Fiduciary Net Position
June 30, 2016

<u>ASSETS</u>	<u>Private- Purpose Trusts</u>	<u>Agency Funds</u>
Cash and Cash Equivalents	\$ 34,698	\$ 454,661
Investments	0	72,889
Other Receivables	0	202
TOTAL ASSETS	\$ 34,698	\$ 527,752
 <u>LIABILITIES</u>		
Due to Student Groups	\$ 0	\$ 527,752
 <u>NET POSITION</u>		
Restricted for Scholarships	\$ 34,698	
Unrestricted	0	
TOTAL NET POSITION	\$ 34,698	

The accompanying notes are an integral part of this statement.

DOWNINGTOWN AREA SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2016

	Private- Purpose Trusts
Additions:	
Gifts and Contributions	\$ 6,438
Deductions:	
Scholarships Awarded	<u>11,200</u>
CHANGE IN NET POSITION	(4,762)
Net Position - July 1, 2015	<u>39,460</u>
NET POSITION - JUNE 30, 2016	<u><u>\$ 34,698</u></u>

DOWNINGTOWN AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 1 - Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

B. Basis of Presentation

Government-Wide and Fund Financial Statements

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

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

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

DOWNINGTOWN AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 1 - Summary of Significant Accounting Policies (Continued)

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

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

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

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

The School District reports the following major government funds:

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

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

Debt Service Fund - The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The School District reports the following major proprietary funds:

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

Additionally the School District reports the following fund types:

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

DOWNTOWNTOWN AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 1 - Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

Deposits and Investments

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

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

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

DOWNINGTOWN AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 1 - Summary of Significant Accounting Policies (Continued)

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

Receivables and Payables

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

All trade and property tax receivables are shown net of any allowance for uncollectibles. There was no allowance for uncollectibles at June 30, 2016.

Inventories

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

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

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

Deferred Outflows of Resources

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

DOWNINGTOWN AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 1 - Summary of Significant Accounting Policies (Continued)

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

Deferred Inflows of Resources

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

Compensated Absences

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

Sick Leave Pay - Sick leave is granted as appropriate with budgetary provisions being made annually for the estimated cost of substitute personnel. Employees who retire under the Pennsylvania School Employees Retirement System are paid at per diem rates ranging from \$40 to \$55 for each unused sick leave day. The District estimates its liability for unused sick days at June 30, 2016 to be \$211,809.

Accrued Severance Pay - Administrative personnel retiring that retire under the normal PSERS guidelines are eligible to receive a lump-sum severance payment at retirement. Administrative personnel receive the payment based on a formula as follows: 1.5% multiplied by years of service multiplied by highest salary. The liability to current employees is estimated and will change since the lump-sum payment will be paid at the salary in effect at the time of separation. These payments are recorded as an expenditure in the period paid or as an accrued expenditure in the fiscal year of separation. Termination compensation payable in future years amounts to \$233,330 at June 30, 2016.

Vacation and Personal Days - School District employees who are required to work on a twelve-month schedule are credited with vacation and personal days at rates which vary with length of service or job classification. If separation of service occurs in the year subsequent to earning, then the unused balance of what was earned in the prior year is paid at separation. The liability at June 30 represents vacation earned at that date that will be taken in the subsequent year. The liability payable amounts to \$2,291,542 at June 30, 2016.

Long-Term Obligations

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

DOWNINGTOWN AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 1 - Summary of Significant Accounting Policies (Continued)

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

Long-Term Obligations (Continued)

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

Government-Wide and Proprietary Fund Net Position

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

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

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

Restricted for: Debt Service - Results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions enabling legislation.

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

Governmental Fund Balances

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

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

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

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

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

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

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

DOWNINGTOWN AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 1 - Summary of Significant Accounting Policies (Continued)

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

Governmental Fund Balances (Continued)

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

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

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

NOTE 2 - Budgetary Information

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

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

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

DOWNINGTOWN AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 3 - Deposits and Investments

Deposits - At year end, the total carrying amount of the School District's checking, savings, and money market deposits was \$28,036,695, and the corresponding bank balance was \$29,511,222.

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

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

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

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

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

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

The School District's investments at June 30, 2016 consisted of the following:

	<u>Credit Rating</u>	<u>Fair Value</u>
<u>Pooled Investments:</u>		
Pennsylvania School District Liquid Asset Fund:		
General Fund Accounts	AAA	\$ 3,332,859
Capital Projects Fund Accounts	AAA	29,380,471
Debt Service Fund Accounts	AAA	33,850,765
Food Service Fund Account	AAA	845,588
Trust and Agency Account	AAA	72,889
TOTAL		<u>67,482,572</u>
Pennsylvania Local Government Investment Trust:		
General Fund Accounts	AAA	<u>125,399</u>
TOTAL POOLED INVESTMENTS (CARRIED FORWARD)		67,607,971

DOWNINGTOWN AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 3 - Deposits and Investments (Continued)

TOTAL POOLED INVESTMENTS (BROUGHT FORWARD)	67,607,971
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Other Investments:

Certificates of Deposit:

General Fund Accounts	Not Applicable	41,027,383
Capital Projects Fund Accounts	Not Applicable	51,084,577
Investment Derivative Instrument (Government-Wide only)	Not Applicable	962,565
TOTAL OTHER INVESTMENTS		93,074,525

TOTAL INVESTMENTS	<u>\$160,682,496</u>
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Derivative Instruments

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2016, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2016 financial statements are as follows:

	<u>Changes in Fair Value</u>		<u>Fair Value at June 30, 2016</u>		<u>Notional</u>
	<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	
Governmental activities					
Cash flow hedges:					
Pay-fixed interest rate swaps	Deferred outflow of resources	\$ (1,277,822)	Debt	\$ (8,776,133)	\$ 52,365,000
Investment derivative instruments:					
Pay-variable interest rate swap	Investment	\$ (351,714)	Investment	\$ 962,565	\$ 40,720,000

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

DOWNINGTOWN AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 3 - Deposits and Investments (Continued)

Hedging Derivatives

Objective and Terms of Hedging Derivative Instruments - The following table displays the objective and terms of the District's hedging derivative instruments outstanding as of June 30, 2016, along with the credit rating of the associated counterparty.

<u>Type</u>	<u>Objective</u>	<u>Notional Amount</u>	<u>Effective Date</u>	<u>Maturity Date</u>	<u>Terms</u>	<u>Counterparty Credit Rating</u>
Pay-fixed interest rate swaps	Hedge of changes in cash flows on the 2006C & 2006A bonds	\$ 34,300,000	2/1/2007	8/1/2022	Pay 3.5%; receives 70% of 3-Month LIBOR (Effective 2/1/2011)	AA/AA-
Pay-fixed interest rate swaps	Hedge of changes in cash flows on the 2010 bonds	\$ 18,065,000	1/1/2010	5/1/2030	Pay 3.7%; receives 70% of 3-Month LIBOR (Effective 11/1/2010)	AA/AA-

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

Credit risk - As of June 30, 2016, the District was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, the District would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was rated AA by Fitch Ratings and AA- by Standard & Poor's as of June 30, 2016.

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

Basis risk - The District is exposed to basis risk on its pay-fixed interest rate swaps because the variable-rate payments received by the District on these hedging derivative instruments are based on a rate or index other than interest rates the District pays on its hedged variable-rate debt, which is remarketed every week. As of June 30, 2016, the weighted-average interest rate on the District's hedged variable-rate debt was 0.64 percent, while seventy percent of the 3-month London Inter-Bank Offered Rate (LIBOR) was 0.48 percent.

Investment Derivatives

Terms - The District is invested in a pay-variable, receive-variable interest rate swap with a notional amount of \$40,720,000 representing the District's 2009 Series AA Bonds. The District makes semiannual variable payments to the counterparty in the amount of the SIFMA swap index and receives a variable payment based on 75 percent of 3-month LIBOR plus 0.454 percent. The swap was executed in April of 2009 and matures in November of 2029.

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

Credit risk - As of June 30, 2016, the District was exposed to credit risk because the swap had a positive fair value. The District is exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was rated AA by Fitch Ratings and AA- by Standard & Poor's as of June 30, 2016.

DOWNINGTOWN AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 3 - Deposits and Investments (Continued)

Investment Derivatives (Continued)

Interest rate risk - The swap exposes the District to interest rate risk should 75% of the three-month LIBOR plus 0.454% be less than the SIFMA swap index, which would result in net cash outflows paid by the District. As of June 30, 2016, 75% of the 3-month LIBOR plus 0.454% was 0.97%, and SIFMA swap index was 0.41%.

NOTE 4 - Taxes Receivable

	General	Other Funds	Total
Real Estate Taxes	\$ 3,663,013	\$ 0	\$ 3,663,013
Transfer Taxes	317,186	0	317,186
Earned Income Taxes	154,921	0	154,921
Other Taxes	2,046	0	2,046
	<u>4,137,166</u>	<u>0</u>	<u>4,137,166</u>
Less: Allowance for Uncollectibles	<u>0</u>	<u>0</u>	<u>0</u>
NET TAXES RECEIVABLE	<u>\$ 4,137,166</u>	<u>\$ 0</u>	<u>\$ 4,137,166</u>

At the end of the current fiscal year, the District reported deferred inflows of resources, related to unavailable real estate revenue, in the amount of \$3,395,905 in the governmental funds.

NOTE 5 - Interfund Receivables, Payables and Transfers

	Receivables	Payables
General Fund	\$ 0	\$ 13,135,849
Capital Projects Fund	13,127,754	0
Food Service Fund	8,095	0
	<u>\$ 13,135,849</u>	<u>\$ 13,135,849</u>
	Transfer to Other Funds	Transfer from Other Funds
General Fund (non-reimbursement)	\$ 6,474,081	\$ 0
Capital Projects Fund (non-reimbursement)	0	6,474,081
General Fund (reimbursement for Facilities)	2,300,103	0
General Fund (reimbursement for Technology)	3,921,684	0
General Fund (reimbursement for Curriculum/Other)	431,886	0
Capital Projects Fund (reimbursement for Facilities)	0	2,300,103
Capital Projects Fund (reimbursement for Technology)	0	3,921,684
Capital Projects Fund (reimbursement for Curriculum/Other)	0	431,886
Capital Projects Fund (reimbursement for Construction & Improvements)	3,590,172	3,590,172
Capital Projects Fund (non-reimbursement)	33,849,307	0
Debt Service Fund (non-reimbursement)	0	33,849,307
	<u>\$ 50,567,233</u>	<u>\$ 50,567,233</u>

DOWNINGTOWN AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 6 - Capital Assets

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital Assets:				
Land	\$ 41,375,333	\$ 0	\$ 7,349	\$ 41,367,984
Land Improvements	15,794,263	2,995,981	0	18,790,244
Buildings	321,049,981	3,433,258	32,779	324,450,460
Construction in Progress	5,212,676	10,172,102	9,570,990	5,813,788
Furniture and Equipment	27,536,235	3,237,562	2,842,847	27,930,950
TOTAL CAPITAL ASSETS	<u>410,968,488</u>	<u>19,838,903</u>	<u>12,453,965</u>	<u>418,353,426</u>
Accumulated Depreciation for:				
Land Improvements	11,384,432	929,311	0	12,313,743
Buildings	94,251,803	7,550,850	32,779	101,769,874
Furniture and Equipment	13,546,489	4,116,498	2,839,150	14,823,837
TOTAL ACCUMULATED DEPRECIATION	<u>119,182,724</u>	<u>12,596,659</u>	<u>2,871,929</u>	<u>128,907,454</u>
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET	<u>\$ 291,785,764</u>	<u>\$ 7,242,244</u>	<u>\$ 9,582,036</u>	<u>\$ 289,445,972</u>
<u>Business-Type Activities:</u>				
Capital Assets:				
Machinery and Equipment	\$ 3,151,674	\$ 205,427	\$ 338,784	\$ 3,018,317
Accumulated Depreciation for:				
Machinery and Equipment	<u>2,233,497</u>	<u>112,763</u>	<u>338,784</u>	<u>2,007,476</u>
BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS, NET	<u>\$ 918,177</u>	<u>\$ 92,664</u>	<u>\$ 0</u>	<u>\$ 1,010,841</u>

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

Governmental Activities - Unallocated	\$ 12,596,659
Business-Type Activities	<u>112,763</u>
TOTAL	<u>\$ 12,709,422</u>

DOWNINGTOWN AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 7 - Long-Term Debt

	Principal Outstanding July 1, 2015	Maturities	Additions	Principal Outstanding June 30, 2016
General Obligation Note Series A of 2006	\$ 19,200,000	\$ 100,000	\$ 0	\$ 19,100,000
General Obligation Note Series C of 2006	15,200,000	0	0	15,200,000
General Obligation Bonds Series AA of 2009	45,050,000	4,330,000	0	40,720,000
General Obligation Bonds Series of 2010	18,975,000	910,000	0	18,065,000
General Obligation Bonds Series A QSCB of 2010	21,643,468	1,664,882	0	19,978,586
General Obligation Bonds Series C QSCB of 2011	11,021,250	734,750	0	10,286,500
TOTAL	131,089,718	7,739,632	0	123,350,086
Less: Deferred Amounts: Issuance Premium (Discounts)	3,481,566	367,804	0	3,113,762
LONG-TERM DEBT	<u>\$134,571,284</u>	<u>\$ 8,107,436</u>	<u>\$ 0</u>	<u>\$126,463,848</u>

DOWNTOWN AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 7 - Long-Term Debt (Continued)

	<u>Current Outstanding Principal</u>
General Obligation Note, Series A of 2006. Original principal amount of \$19,900,000, maturing August 1, 2021, bearing interest at a variable rate. The rate at June 30, 2016 was 0.42%.	\$ 19,100,000
General Obligation Note, Series C of 2006. Original principal amount of \$15,200,000, maturing August 1, 2022, bearing interest at a variable rate. The rate at June 30, 2016 was 0.42%.	15,200,000
General Obligation Bonds, Series AA of 2009. Original principal amount of \$67,070,000, maturing November 1, 2029, bearing interest from 2.0% to 5.0%.	40,720,000
General Obligation Bonds, Series of 2010. Original principal amount of \$23,680,000, maturing May 1, 2030, bearing interest at variable rates. Interest rate on \$15,075,000 of bond principal was 1.11% at June 30, 2016. Interest rate on \$1,040,000 of bond principal was 0.96% at June 30, 2016. Interest rate on \$995,000 of bond principal was 0.86% at June 30, 2016. Interest rate on \$955,000 of bond principal was 0.76% at June 30, 2016.	18,065,000
General Obligation Bonds, Series A of 2010 QSCB. Original principal amount of \$28,303,000, maturing September 1, 2027, bearing interest at 5%, of which 4.83% is subsidized by the federal government.	19,978,586
General Obligation Bonds, Series C of 2011 QSCB. Original principal amount of \$11,766,000, maturing September 1, 2029, bearing interest at 5.088%, which is fully subsidized by the federal government.	<u>10,286,500</u>
TOTAL	<u>\$123,350,086</u>

DOWNINGTOWN AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 7 - Long-Term Debt (Continued)

The annual requirements to amortize all debts outstanding as of June 30, 2016 are as follows:

<u>Year Ended:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 7,984,632	\$ 4,110,776	\$ 12,095,408
2018	8,239,632	3,857,105	12,096,737
2019	12,279,632	3,498,219	15,777,851
2020	12,594,632	3,017,544	15,612,176
2021	13,004,632	2,561,582	15,566,214
2022-2026	47,303,160	6,610,932	53,914,092
2027-2030	21,943,766	1,696,499	23,640,265
TOTAL MATURITIES	\$ 123,350,086	\$ 25,352,657	\$ 148,702,743

The interest expense presented in the table above is net of the Federal subsidy to reimburse interest costs on the 2010 and 2011 QSCB Bonds. The amount of the subsidy is \$1,965,689 each year through 2021, \$9,828,445 from 2022-2026, and \$4,145,842 from 2027-2030.

Swap Payments and Associated Debt

Hedging derivative instrument payments and hedged debt - As of June 30, 2016, aggregate debt service requirements of the District's debt and net receipts/payments on associated hedging derivative instruments are as follows. These amounts assume that current interest rates on variable-rate bonds and current reference rates of hedging derivative instruments will remain the same for their term. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the hedging derivative instruments will vary. Refer to Note 3 for information on derivative instruments.

<u>Year Ended:</u>	<u>Bonds with Associated Derivatives</u>		<u>Interest Rate</u>	<u>Totals</u>
	<u>Principal</u>	<u>Interest</u>	<u>Swap, Net</u>	
2017	\$ 1,055,000	\$ 733,906	\$ 1,600,592	\$ 3,389,498
2018	1,095,000	713,495	1,566,849	3,375,344
2019	1,140,000	692,276	1,531,819	3,364,095
2020	8,490,000	595,202	1,398,888	10,484,090
2021	8,835,000	487,224	1,134,716	10,456,940
2022-2026	25,410,000	1,100,820	2,170,169	28,680,989
2027-2030	6,340,000	270,680	430,770	7,041,450
TOTAL	\$ 52,365,000	\$ 4,593,603	\$ 9,833,803	\$ 66,792,406

DOWNINGTOWN AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 8 - Defeased Bonds

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

	<u>Call Date</u>	<u>Interest Rates</u>	<u>Outstanding Principal at June 30, 2016</u>
General Obligation Bonds Series of 2011	04/01/18	0.62 – 2.85%	\$ 6,870,000

NOTE 9 - Changes in Other Long-Term Liabilities

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2016</u>
Accrued Vacation	\$ 2,145,271	\$ 146,271	\$ 0	\$ 2,291,542
Accrued Severance and Sick Days	478,563	0	33,424	445,139
TOTAL	<u>\$ 2,623,834</u>	<u>\$ 146,271</u>	<u>\$ 33,424</u>	<u>\$ 2,736,681</u>

NOTE 10 - Construction Commitments

At June 30, 2016, the School District's capital projects fund had outstanding construction commitments amounting to \$1,460,288 for the renovations to various schools.

NOTE 11 - Fund Balances - General Fund

Nonspendable:		
Prepaid Expenses		\$ 2,400
Assigned:		
Future Healthcare Claims	3,080,000	
Future PSERS Obligations	<u>4,640,000</u>	7,720,000
Unassigned		<u>16,888,960</u>
TOTAL FUND BALANCES - GENERAL FUND		<u>\$ 24,611,360</u>

DOWNINGTOWN AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 12 - Property Tax

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

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

Flat Period - September 1 to October 31

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

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

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

Assessed Valuation, Adjusted by	
Authorized Revisions	\$5,303,352,509
Approved Tax Rate in Mills	27.182
GROSS LEVY	144,155,728
Plus Penalties Applied	222,024
Deductions:	
Discounts	(2,498,331)
Assessment Changes and Exonerations	(954,652)
State Property Tax Reduction Allocation	(3,808,899)
Taxes Liened	(2,565,911)
NET CURRENT YEAR PROPERTY TAX REVENUE	<u>\$ 134,549,959</u>

NOTE 13 - Employee Retirement Systems and Pension Plans

Pensions

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

Plan Description

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

DOWNINGTOWN AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

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

Benefits Provided

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

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

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

Member Contributions

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

DOWNINGTOWN AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

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

Employer Contributions

The school districts' contractually required contribution rate for fiscal year ended June 30, 2016 was 25.00% 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 \$20,865,761 for the year ended June 30, 2016.

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

At June 30, 2016, the District reported a liability of \$277,651,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2014 to June 30, 2015. 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, 2015, the District's proportion was .006410%, which was an increase of \$29,916,000 from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$22,344,000. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 0	\$ 1,146,000
Changes in assumptions	0	0
Net difference between projected and actual investment earnings	0	562,000
Changes in proportion	9,280,000	0
Difference between employer contributions and proportionate share of total contributions	0	0
Contributions subsequent to the measurement date	20,865,761	0
	<u>\$ 30,145,761</u>	<u>\$ 1,708,000</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date of \$20,865,761 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

<u>Year ending June 30:</u>	
2016	\$ 1,040,000
2017	1,040,000
2018	1,040,000
2019	4,452,000
TOTAL	<u>\$ 7,572,000</u>

DOWNTOWNTOWN AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

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

Actuarial Assumptions

The total pension liability as of June 30, 2015 was determined by rolling forward the System's total pension liability as of the June 30, 2014 actuarial valuation to June 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay
- Investment return - 7.50%, includes inflation at 3.00%
- Salary increases - Effective average of 5.50%, which reflects an allowance for inflation of 3.00%, real wage growth of 1%, and merit or seniority increases of 1.50%
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females.

The actuarial assumptions used in the June 30, 2014 valuation were based on the experience study that was performed for the five-year period ending June 30, 2010. The recommended assumption changes based on this experience study were adopted by the Board at its March 11, 2011 Board meeting, and were effective beginning with the June 30, 2011 actuarial valuation.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public markets global equity	23%	4.8%
Private markets (equity)	15%	6.6%
Private real estate	12%	4.5%
Global fixed income	7%	2.4%
U.S. long treasuries	3%	1.4%
TIPS	12%	1.1%
High yield bonds	6%	3.3%
Cash	3%	0.7%
Absolute return	10%	4.9%
Risk parity	10%	3.7%
MLPs/Infrastructure	5%	5.2%
Commodities	8%	3.1%
Financing (LIBOR)	(14%)	1.1%
	<u>100%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2015.

DOWNINGTOWN AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

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

Discount Rate

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

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

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

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
District's Proportionate Share of the Net Pension Liability	\$ 342,232,000	\$ 277,651,000	\$ 223,371,000

Pension Plan Fiduciary Net Position

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

NOTE 14 - Other Post-Employment Benefits

Plan Description

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

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

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

DOWNINGTOWN AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 14 - Other Post-Employment Benefits (Continued)

Funding Policy

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

As of June 30, 2016, the School District has no segregated assets to fund this liability. It is the intention of the School District to pay claims as they are incurred.

Funding Progress

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

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplemental information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actual value of assets, consistent with the long term perspective of the calculations. In the July 1, 2014 actuarial valuation, the following actuarial assumptions were used:

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

Annual OPEB Cost and NET OPEB Obligations

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

DOWNTOWNTOWN AREA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 14 - Other Post-Employment Benefits (Continued)

Annual OPEB Cost and NET OPEB Obligations (Continued)

Annual OPEB Cost:	
Normal Cost	\$ 670,947
Amortization of Unfunded Actuarial	
Accrued Liability	1,439,500
Interest on Net OPEB Obligation	272,590
Funding Adjustment	(833,363)
	<u>ANNUAL OPEB COST</u>
	<u>\$ 1,549,674</u>
Net OPEB Obligation:	
Normal OPEB Obligation July 1, 2015	\$ 6,057,549
OPEB Cost for the year ended June 30, 2016	1,549,674
Estimated Contributions for the year ended June 30, 2016	(848,432)
	<u>NET OPEB OBLIGATION</u>
	<u>\$ 6,758,791</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed, and the net OPEB obligation for the year ended June 30, 2016 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2014	\$ 2,057,913	30.71%	\$ 5,248,601
June 30, 2015	1,624,561	50.21%	6,057,549
June 30, 2016	1,549,674	54.75%	6,758,792

NOTE 15 - Subsequent Events

The District has evaluated subsequent events through December 7, 2016, which represents the date the financial statements were available to be issued.

DOWNINGTOWN AREA SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2016

	Original Budget	Amended Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Local Revenues	\$ 158,782,552	\$ 158,782,552	\$ 165,798,902	\$ 7,016,350
State Program Revenues	43,095,448	43,095,448	43,445,079	349,631
Federal Program Revenues	925,000	2,752,108	2,724,944	(27,164)
TOTAL REVENUES	202,803,000	204,630,108	211,968,925	7,338,817
Expenditures:				
Regular Programs	93,665,914	92,623,719	88,830,399	3,793,320
Special Programs	27,734,555	27,726,413	26,945,686	780,727
Vocational Programs	6,157,309	6,157,309	5,661,706	495,603
Other Instructional Programs	1,582,643	1,637,143	1,413,430	223,713
Nonpublic School Programs	15,000	15,000	1,770	13,230
Pupil Personnel Services	7,022,511	7,042,088	7,033,625	8,463
Instructional Staff Services	5,521,646	5,537,277	5,525,255	12,022
Administrative Services	11,449,044	11,452,048	11,436,417	15,631
Pupil Health	2,846,521	2,846,521	2,583,197	263,324
Business Services	1,895,079	1,840,079	1,692,735	147,344
Operation and Maintenance of				
Plant Services	14,335,773	14,618,872	14,599,437	19,435
Student Transportation Services	11,084,751	11,397,666	11,378,180	19,486
Central and Other Support Services	4,143,691	4,196,508	3,915,610	280,898
Student Activities	3,299,563	3,712,032	3,706,256	5,776
Community Services	44,000	79,000	75,135	3,865
Facilities Acquisition,				
Construction/Improvement Services	485,000	339,385	311,756	27,629
Debt Service	15,500,000	17,327,108	13,361,677	3,965,431
TOTAL EXPENDITURES	206,783,000	208,548,168	198,472,271	10,075,897
EXCESS OF REVENUES OVER EXPENDITURES	(3,980,000)	(3,918,060)	13,496,654	17,414,714
Other Financing Sources (Uses):				
Interfund Transfers Out (Reimbursement)	0	0	(6,653,673)	(6,653,673)
Interfund Transfers Out (Non-Reimbursement)	0	0	(6,474,081)	(6,474,081)
Sale of Capital Assets	0	0	45,414	45,414
Refunds of Prior Years Revenues	(20,000)	(145,000)	(141,739)	3,261
Refunds of Prior Years Expenses	0	0	64,835	64,835
Budgetary Reserve	(500,000)	(436,940)	0	436,940
TOTAL OTHER FINANCING SOURCES (USES)	(520,000)	(581,940)	(13,159,244)	(12,577,304)
NET CHANGE IN FUND BALANCES	(4,500,000)	(4,500,000)	337,410	4,837,410
Fund Balance - July 1, 2015	26,500,000	24,273,950	24,273,950	0
FUND BALANCE - JUNE 30, 2016	\$ 22,000,000	\$ 19,773,950	\$ 24,611,360	\$ 4,837,410

DOWNINGTOWN AREA SCHOOL DISTRICT
Schedule of Post Employment Benefit Obligation Funding Progress
For the Year Ended June 30, 2016

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

DOWNINGTOWN AREA SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2016

<u>Year Ended</u>	<u>District's Proportion of the Net Pension Liability (Asset)</u>	<u>District's Proportionate Share of the Net Pension Liability (Asset)</u>	<u>District's Covered Payroll</u>	<u>Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
June 30, 2014	0.6259%	\$ 247,735,000	\$ 79,863,944	310.20%	27.29%
June 30, 2015	0.6410%	277,651,000	82,474,947	336.65%	25.66%

DOWNINGTOWN AREA SCHOOL DISTRICT
Schedule of the District's Pension Contributions
For the Year Ended June 30, 2016

Year Ended	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Excess/ (Deficiency)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2013	\$ 8,394,119	\$ (8,394,119)	\$ 0	\$ 78,188,129	10.74%
June 30, 2014	12,468,000	(12,468,000)	0	79,863,944	15.61%
June 30, 2015	16,551,000	(16,551,000)	0	82,474,947	20.07%

DOWNINGTOWN AREA SCHOOL DISTRICT

Combined Balance Sheet

Capital Projects Funds

June 30, 2016

<u>ASSETS</u>	Capital Reserve Fund	Capital Project Fund 33	Capital Project Fund 34	Capital Project Fund 35	Total
Cash and Cash Equivalents	\$ 870,513	\$ 0	\$ 0	\$ 10,188,783	\$ 11,059,296
Investments	24,220,146	0	0	56,244,902	80,465,048
Interest Receivable	55,711	0	0	48,425	104,136
Due from Other Funds	0	0	0	13,127,754	13,127,754
TOTAL ASSETS	\$ 25,146,370	\$ 0	\$ 0	\$ 79,609,864	\$ 104,756,234
 <u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts Payable and Other Accrued Liabilities	\$ 810	\$ 0	\$ 0	\$ 2,367,060	\$ 2,367,870
Fund Balance					
Assigned	25,145,560	0	0	77,242,804	102,388,364
TOTAL LIABILITIES AND FUND BALANCES	\$ 25,146,370	\$ 0	\$ 0	\$ 79,609,864	\$ 104,756,234

DOWNINGTOWN AREA SCHOOL DISTRICT
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Capital Projects Funds
For the Year Ended June 30, 2016

	Capital Reserve Fund	Capital Project Fund 33	Capital Project Fund 34	Capital Project Fund 35	Total
Revenues:					
Earnings from Investments	\$ 147,147	\$ 124	\$ 9,935	\$ 345,111	\$ 502,317
Expenditures:					
Instruction	0	0	0	2,860,100	2,860,100
Support Services	0	0	0	977,895	977,895
Non-Instructional Services	0	0	0	31,142	31,142
Facilities Acquisition, Construction/Improvement Services	0	503,245	0	5,730,553	6,233,798
TOTAL EXPENDITURES	0	503,245	0	9,599,690	10,102,935
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	147,147	(503,121)	9,935	(9,254,579)	(9,600,618)
Other Financing Sources (Uses):					
Interfund Transfers In (Reimbursement)	0	511,726	0	9,732,119	10,243,845
Interfund Transfers In (Non-Reimbursement)	0	0	0	6,474,081	6,474,081
Interfund Transfers Out (Reimbursement)	0	(29,021)	(3,561,151)	0	(3,590,172)
Interfund Transfers Out (Non-Reimbursement)	0	0	0	(33,849,307)	(33,849,307)
Sale of Real Estate	0	0	0	201,522	201,522
Refund of Prior Year Expenses	0	0	0	407,194	407,194
TOTAL OTHER FINANCING SOURCES (USES)	0	482,705	(3,561,151)	(17,034,391)	(20,112,837)
NET CHANGE IN FUND BALANCES	147,147	(20,416)	(3,551,216)	(26,288,970)	(29,713,455)
Fund Balances - July 1, 2015	24,998,413	20,416	3,551,216	103,531,774	132,101,819
FUND BALANCES - JUNE 30, 2016	\$ 25,145,560	\$ 0	\$ 0	\$ 77,242,804	\$102,388,364

DOWNINGTOWN AREA SCHOOL DISTRICT

General Fund

Borrowing Base Calculation

6/30/2016

(Unaudited)

	Year Ended June 30,		
	2014	2015	2016
Gross Revenues Received - General Fund	<u>\$ 199,915,160</u>	<u>\$ 204,596,003</u>	<u>\$ 211,968,925</u>
Deductions Pursuant to Section 102(c) (16) of Act 185 of 1972;			
(i) Subsidy - Rentals and Sinking Fund Payments	1,892,129	782,427	591,455
(ii) Sale of Capital Assets and Other			
Non-Recurring Revenues	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL DEDUCTIONS	<u>1,892,129</u>	<u>782,427</u>	<u>591,455</u>
 TOTAL REVENUES AS DEFINED IN SECTION 102(C) (16) OF ACT 185 OF 1972	 <u>\$ 198,023,031</u>	 <u>\$ 203,813,576</u>	 <u>\$ 211,377,470</u>
 TOTAL REVENUES FOR PAST THREE YEARS	 <u>\$ 577,132,166</u>	 <u>\$ 594,323,399</u>	 <u>\$ 613,214,077</u>
 BORROWING BASE - AVERAGE ANNUAL REVENUES	 <u>\$ 192,377,389</u>	 <u>\$ 198,107,800</u>	 <u>\$ 204,404,692</u>
 DEBT LIMIT - 225% OF BORROWING BASE	 <u>\$ 432,849,125</u>	 <u>\$ 445,742,549</u>	 <u>\$ 459,910,558</u>

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues:										
Local Sources	\$ 165,798,902	\$ 161,347,717	\$ 158,062,114	\$ 155,165,778	\$ 150,471,909	\$ 146,373,855	\$ 144,795,089	\$ 141,835,270	\$ 140,460,808	\$ 133,878,348
State Sources	43,445,079	40,489,476	38,795,263	35,850,554	36,203,487	34,875,076	34,458,093	35,339,348	31,863,050	29,369,445
Federal Sources	2,724,944	2,758,810	3,057,783	3,012,007	3,140,124	5,757,006	3,925,070	919,583	926,430	921,618
TOTAL REVENUES	211,968,925	204,596,003	199,915,160	194,028,339	189,815,520	187,005,937	183,178,252	178,094,201	173,250,288	164,169,411
Expenditures:										
Instruction	122,852,991	114,337,036	107,576,872	102,566,445	100,946,540	101,266,153	99,285,913	94,539,968	90,819,066	86,588,344
Support Services	58,164,456	54,859,555	50,494,222	47,672,427	46,149,161	48,032,336	45,981,821	45,689,080	42,808,857	40,044,183
Non-Instructional Services	3,781,391	3,742,258	3,418,070	3,405,943	3,234,836	3,353,499	1,081,001	1,163,735	661,828	650,344
Capital Outlay	311,756	187,621	300,250	1,558,131	3,000,000	0	0	0	0	0
Debt Service	13,361,677	13,887,128	16,801,219	27,185,883	26,836,505	18,287,185	18,786,810	19,078,257	17,567,225	16,876,467
TOTAL EXPENDITURES	198,472,271	187,013,598	178,590,633	182,388,829	180,167,042	170,939,173	165,135,545	160,471,040	151,856,976	144,159,338
EXCESS OF REVENUES OVER EXPENDITURES	13,496,654	17,582,405	21,324,527	11,639,510	9,648,478	16,066,764	18,042,707	17,623,161	21,393,312	20,010,073
Other Financing Sources (Uses):										
Interfund Transfers In	0	0	0	0	0	0	0	56,767	0	0
Interfund Transfers Out	(13,127,754)	(19,572,644)	(25,071,254)	(20,745,138)	(21,931,206)	(6,374,284)	(16,367,662)	(17,294,983)	(18,027,119)	(20,500,000)
Sale of Capital Assets	45,414	37,165	17,064	3,675	16,100	0	0	0	0	0
Capital Lease Debt Issued	0	0	0	0	0	713,040	0	0	0	0
Refunds of Prior Years Expenses (Revenues)	(76,904)	119,098	239,113	384	(10,642)	36,170	55,209	165,470	(230,295)	(304,446)
TOTAL OTHER FINANCING SOURCES (USES)	(13,159,244)	(19,416,381)	(24,815,077)	(20,741,079)	(21,925,748)	(5,625,074)	(16,312,453)	(17,072,746)	(18,257,414)	(20,804,446)
NET CHANGE IN FUND BALANCES	337,410	(1,833,976)	(3,490,550)	(9,101,569)	(12,277,270)	10,441,690	1,730,254	550,415	3,135,898	(794,373)
Fund Balances - Beginning	24,273,950	26,107,926	29,598,476	38,700,045	50,977,315	40,535,625	38,450,605	37,733,000	34,580,483	12,196,392
Prior Period Adjustment	0	0	0	0	0	0	0	167,190	16,619	23,178,464
FUND BALANCES - ENDING (RESTATED)	24,273,950	26,107,926	29,598,476	38,700,045	50,977,315	40,535,625	38,450,605	37,900,190	34,597,102	35,374,856
FUND BALANCES - JUNE 30	\$ 24,611,360	\$ 24,273,950	\$ 26,107,926	\$ 29,598,476	\$ 38,700,045	\$ 50,977,315	\$ 40,180,859	\$ 38,450,605	\$ 37,733,000	\$ 34,580,483

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

	2016		2015		2014		2013		2012	
	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual
Revenues:										
Local Sources	\$ 158,782,552	\$ 165,798,902	\$ 155,097,493	\$ 161,347,717	\$ 151,319,934	\$ 158,062,114	\$ 151,697,123	\$ 155,165,778	\$ 148,233,912	\$ 150,471,909
State Sources	43,095,448	43,445,079	40,717,507	40,489,476	38,440,601	38,795,263	36,648,877	35,850,554	34,933,500	36,203,487
Federal Sources	925,000	2,724,944	1,020,000	2,758,810	1,419,465	3,057,783	1,458,000	3,012,007	1,549,025	3,140,124
TOTAL REVENUES	202,803,000	211,968,925	196,835,000	204,596,003	191,180,000	199,915,160	189,804,000	194,028,339	184,716,437	189,815,520
Expenditures:										
Regular Programs	93,665,914	88,830,399	90,286,288	82,933,616	84,642,863	77,480,067	83,498,254	73,925,443	76,800,064	71,789,600
Special Programs	27,734,555	26,945,686	25,849,778	24,485,681	24,118,246	22,947,710	24,799,582	21,085,193	24,431,112	21,050,519
Vocational Programs	6,157,309	5,661,706	5,394,047	5,367,294	6,302,373	5,723,326	6,571,773	6,176,446	7,064,327	6,538,896
Other Instructional Programs	1,582,643	1,413,430	1,824,222	1,550,445	1,982,521	1,425,769	1,636,066	1,379,363	1,508,031	1,567,525
Nonpublic School Programs	15,000	1,770	0	0	0	0	0	0	0	0
Pupil Personnel Services	7,022,511	7,033,625	6,646,435	6,644,737	6,099,362	6,045,437	5,706,891	5,728,429	5,492,904	5,298,326
Instructional Staff Services	5,521,646	5,525,255	5,608,033	5,159,824	5,463,142	4,420,735	5,085,592	4,460,467	5,450,065	4,289,526
Administrative Services	11,449,044	11,436,417	10,821,188	10,594,845	10,170,156	9,479,748	9,173,297	8,826,275	8,654,446	8,290,794
Pupil Health	2,846,521	2,583,197	3,010,261	2,569,803	2,829,823	2,600,594	2,738,077	2,633,840	2,490,275	2,516,052
Business Services	1,895,079	1,692,735	1,563,524	1,687,424	1,411,977	1,375,160	1,263,848	1,298,612	1,182,131	1,137,795
Operation and Maintenance of Plant Services	14,335,773	14,599,437	13,604,300	13,749,844	12,681,294	13,085,122	12,960,461	11,694,446	13,141,927	11,409,836
Student Transportation Services	11,084,751	11,378,180	11,118,147	10,926,856	10,048,899	10,031,148	10,223,581	9,572,089	9,815,366	9,900,783
Central and Other Support Services	4,143,691	3,915,610	4,093,679	3,526,222	3,637,940	3,456,278	3,599,481	3,458,269	3,747,757	3,306,049
Student Activities	3,299,563	3,706,256	3,244,593	3,675,858	3,114,404	3,400,821	3,209,497	3,377,064	3,054,297	3,203,140
Community Services	44,000	75,135	52,250	66,400	51,000	17,249	64,600	28,879	70,100	31,696
Capital Outlay	485,000	311,756	1,468,255	187,621	300,000	300,250	0	1,558,131	0	3,000,000
Debt Service	15,500,000	13,361,677	16,190,000	13,887,128	15,586,000	16,801,219	16,500,000	27,185,883	18,000,000	26,836,505
TOTAL EXPENDITURES	206,783,000	198,472,271	200,775,000	187,013,598	188,440,000	178,590,633	187,031,000	182,388,829	180,902,802	180,167,042
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,980,000)	13,496,654	(3,940,000)	17,582,405	2,740,000	21,324,527	2,773,000	11,639,510	3,813,635	9,648,478
Other Financing Sources (Uses):										
Interfund Transfers In	0	0	0	0	0	0	0	0	0	0
Interfund Transfers Out	0	(13,127,754)	0	(19,572,644)	(6,000,000)	(25,071,254)	(5,980,000)	(20,745,138)	(5,713,635)	(21,931,206)
Sale of Capital Assets	0	45,414	0	37,165	0	17,064	0	3,675	0	16,100
Capital Lease Debt Issued	0	0	0	0	0	0	0	0	0	0
Refunds of Prior Years Expenses (Revenues)	(20,000)	(76,904)	(60,000)	119,098	(60,000)	239,113	(80,000)	384	(100,000)	(10,642)
Budgetary Reserve	(500,000)	0	(500,000)	0	(500,000)	0	(500,000)	0	(500,000)	0
TOTAL OTHER FINANCING SOURCES (USES)	(520,000)	(13,159,244)	(560,000)	(19,416,381)	(6,560,000)	(24,815,077)	(6,560,000)	(20,741,079)	(6,313,635)	(21,925,748)
NET CHANGE IN FUND BALANCES	(4,500,000)	337,410	(4,500,000)	(1,833,976)	(3,820,000)	(3,490,550)	(3,787,000)	(9,101,569)	(2,500,000)	(12,277,270)
Fund Balances - Beginning	26,500,000	24,273,950	56,606,800	26,107,926	51,820,000	29,598,476	23,950,000	38,700,045	42,250,000	50,977,315
Prior Period Adjustment	0	0	0	0	0	0	0	0	0	0
FUND BALANCES - ENDING (RESTATEd)	26,500,000	24,273,950	56,606,800	26,107,926	51,820,000	29,598,476	23,950,000	38,700,045	42,250,000	50,977,315
FUND BALANCES - JUNE 30	\$ 22,000,000	\$ 24,611,360	\$ 52,106,800	\$ 24,273,950	\$ 48,000,000	\$ 26,107,926	\$ 20,163,000	\$ 29,598,476	\$ 39,750,000	\$ 38,700,045

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

	2011		2010		2009		2008		2007	
	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual
Revenues:										
Local Sources	\$ 147,481,628	\$ 146,373,855	\$ 143,943,049	\$ 144,795,089	\$ 140,037,014	\$ 141,835,270	\$ 135,085,133	\$ 140,460,808	\$ 124,356,225	\$ 133,878,348
State Sources	37,898,372	34,875,076	35,462,351	34,458,093	35,809,986	35,339,348	29,718,317	31,863,050	28,278,775	29,369,445
Federal Sources	2,412,000	5,757,006	3,454,600	3,925,070	1,003,000	919,583	796,550	926,430	365,000	921,618
TOTAL REVENUES	187,792,000	187,005,937	182,860,000	183,178,252	176,850,000	178,094,201	165,600,000	173,250,288	153,000,000	164,169,411
Expenditures:										
Regular Programs	74,462,903	69,548,479	73,480,639	67,953,524	72,201,942	65,273,933	66,874,672	64,072,900	61,914,513	60,608,830
Special Programs	25,523,433	23,042,260	23,705,229	22,562,603	22,055,877	20,982,932	20,142,290	18,457,024	18,537,667	18,107,365
Vocational Programs	6,969,898	7,045,387	6,900,721	6,928,052	6,710,990	6,713,526	6,704,134	6,540,624	6,212,344	6,335,186
Other Instructional Programs	1,796,365	1,630,027	1,834,071	1,841,734	1,950,670	1,569,577	1,734,179	1,748,518	1,833,731	1,536,963
Pupil Personnel Services	5,395,672	5,264,519	5,238,427	4,901,664	4,987,874	4,614,338	4,978,490	4,557,148	4,974,764	4,523,654
Instructional Staff Services	5,651,230	4,752,581	5,477,349	4,399,932	5,272,455	4,405,856	5,570,994	5,116,112	4,808,116	4,326,004
Administrative Services	8,952,895	9,139,590	8,924,838	8,107,959	8,754,497	8,179,295	8,033,570	7,867,119	7,792,193	7,357,406
Pupil Health	1,562,265	1,473,162	1,521,437	1,402,657	1,422,257	1,352,018	1,337,914	1,262,219	1,238,340	1,184,401
Business Services	1,231,514	1,215,356	1,066,887	1,212,783	1,081,921	1,206,691	1,073,446	1,065,537	997,620	1,002,072
Operation and Maintenance of Plant Services	14,217,981	13,121,864	13,962,806	13,319,612	13,653,560	13,930,075	13,645,950	13,111,495	13,091,699	12,709,352
Student Transportation Services	9,718,010	9,613,066	9,361,340	9,334,729	8,687,433	9,272,617	8,127,508	8,465,847	7,380,700	7,654,940
Central and Other Support Services	3,369,557	3,452,198	2,769,884	3,302,485	2,329,587	2,728,190	1,560,561	1,363,380	1,464,996	1,286,354
Student Activities	3,068,971	3,295,941	766,411	1,029,285	781,184	1,119,871	736,897	620,791	676,291	610,462
Community Services	82,306	57,558	69,961	51,716	89,753	43,864	59,395	41,037	57,026	39,882
Capital Outlay	0	0	0	0	0	0	0	0	0	0
Debt Service	20,000,000	18,287,185	20,000,000	18,786,810	20,000,000	19,078,257	20,020,000	17,567,225	19,020,000	16,876,467
TOTAL EXPENDITURES	182,003,000	170,939,173	175,080,000	165,135,545	169,980,000	160,471,040	160,600,000	151,856,976	150,000,000	144,159,338
EXCESS OF REVENUES OVER EXPENDITURES	5,789,000	16,066,764	7,780,000	18,042,707	6,870,000	17,623,161	5,000,000	21,393,312	3,000,000	20,010,073
Other Financing Uses:										
Interfund Transfers In	0	0	0	0	0	56,767	0	0	0	0
Interfund Transfers Out	(6,500,000)	(6,374,284)	(7,930,000)	(16,367,662)	(5,750,000)	(17,294,983)	(3,900,000)	(18,027,119)	(1,900,000)	(20,500,000)
Sale of Capital Assets	0	0	0	0	0	0	0	0	0	0
Capital Lease Debt Issued	0	713,040	0	0	0	0	0	0	0	0
Refunds of Prior Years Revenues	(60,000)	36,170	(100,000)	55,209	(120,000)	165,470	(100,000)	(230,295)	(100,000)	(304,446)
Budgetary Reserve	(750,000)	0	(750,000)	0	(1,000,000)	0	(1,000,000)	0	(1,000,000)	0
TOTAL OTHER FINANCING USES	(7,310,000)	(5,625,074)	(8,780,000)	(16,312,453)	(6,870,000)	(17,072,746)	(5,000,000)	(18,257,414)	(3,000,000)	(20,804,446)
NET CHANGE IN FUND BALANCES	(1,521,000)	10,441,690	(1,000,000)	1,730,254	0	550,415	0	3,135,898	0	(794,373)
Fund Balances - Beginning	15,136,800	40,535,625	14,148,000	38,450,605	14,148,000	37,733,000	13,248,000	34,580,483	12,240,000	12,196,392
Prior Period Adjustment	0	0	0	0	0	167,190	0	16,619	0	23,178,464
FUND BALANCES - ENDING (RESTATED)	15,136,800	40,535,625	14,148,000	38,450,605	14,148,000	37,900,190	13,248,000	34,597,102	12,240,000	35,374,856
FUND BALANCES - JUNE 30	\$ 13,615,800	\$ 50,977,315	\$ 13,148,000	\$ 40,180,859	\$ 14,148,000	\$ 38,450,605	\$ 13,248,000	\$ 37,733,000	\$ 12,240,000	\$ 34,580,483

DOWNINGTOWN AREA SCHOOL DISTRICT

Comparative Statements of Revenues
and Other Financing Sources
General Fund

	2016	2015	2014	2013	2012
Revenues:					
Local Sources:					
Current Real Estate Taxes	\$134,549,959	\$132,009,040	\$ 130,277,236	\$ 129,407,143	\$126,413,056
Interim Real Estate Taxes	4,121,201	3,176,436	2,360,683	1,752,473	1,792,941
Public Utility Realty Taxes	179,587	191,740	186,605	189,265	197,693
Act 511 Occupational Privilege Tax	212,407	203,886	204,042	170,459	209,436
Act 511 Earned Income Tax	15,700,345	16,076,800	15,098,451	14,065,246	12,845,110
Act 511 Real Estate Transfer Tax	3,348,454	2,514,756	2,443,816	2,678,500	2,067,424
Delinquent Real Estate Taxes	3,332,783	3,355,254	3,954,319	3,379,685	3,486,927
Earnings on Investments	475,958	381,737	309,237	377,824	419,429
Intermediate Unit Revenue	1,670,659	1,691,913	1,593,535	1,682,844	1,563,822
Rentals	494,672	235,404	267,334	158,046	117,069
Tuition - Regular & Summer School	71,276	53,854	58,790	77,561	62,613
Student Activities	1,430,436	1,275,591	1,171,632	1,090,745	1,113,741
Miscellaneous Revenue	211,165	181,306	136,434	135,987	182,648
TOTAL REVENUES FROM LOCAL SOURCES	165,798,902	161,347,717	158,062,114	155,165,778	150,471,909
State Sources:					
Basic Instruction Subsidy	13,870,652	13,474,564	13,509,785	13,062,584	13,062,584
Tuitions	115,763	150,544	102,923	131,695	437,805
Special Education	5,688,100	5,500,007	5,411,988	5,310,989	5,211,893
Transportation	4,016,650	3,804,844	3,754,560	3,649,538	3,653,543
Rental and Sinking Fund Payments	591,455	782,427	1,892,129	1,541,547	3,193,177
Medical and Dental Services	288,659	290,607	313,153	308,513	287,491
State Property Tax Reduction Allocation	3,808,899	3,881,937	3,813,172	3,828,397	3,850,949
Other State Grants	6,195	1,000	0	0	51,000
Safe Schools	9,780	0	0	13,434	13,656
Accountability Grants	264,742	264,742	264,742	264,742	264,742
Ready to Learn Grant	610,227	395,356	0	0	0
Social Security Subsidy	3,182,939	3,082,604	2,964,554	2,890,657	2,862,912
Retirement Subsidy	10,991,018	8,860,844	6,768,257	4,848,458	3,313,297
Incarcerated Education	0	0	0	0	438
Classrooms of the Future	0	0	0	0	0
TOTAL REVENUES FROM STATE SOURCES	43,445,079	40,489,476	38,795,263	35,850,554	36,203,487
Federal Sources:					
Title I - Low Income	257,694	298,055	265,935	253,603	257,547
Title II Improving Teaching Quality	135,367	148,398	105,225	138,074	196,466
Title III English Language	27,623	22,959	18,016	33,528	40,114
Title V Innovative Education	0	0	0	0	0
Drug Free School Grants	0	0	0	0	0
Qualified School Construction Bond (QSCB)	1,827,108	1,823,177	1,809,417	1,965,689	1,586,545
All Other Federal Grants	452,998	444,422	830,834	621,113	1,059,452
Medical Assistance/Administrative	24,154	21,799	28,356	0	0
ARRA Grants	0	0	0	0	0
TOTAL REVENUES FROM FEDERAL SOURCES	2,724,944	2,758,810	3,057,783	3,012,007	3,140,124
Other Financing Sources:					
Sale of Capital Assets	45,414	37,165	17,064	3,675	16,100
Proceeds from Capital Lease	0	0	0	0	0
Refunds of Prior Years Expenses	64,835	121,572	244,587	11,754	43,861
TOTAL OTHER FINANCING SOURCES	110,249	158,737	261,651	15,429	59,961
TOTAL REVENUES	\$212,079,174	\$204,754,740	\$ 200,176,811	\$ 194,043,768	\$189,875,481

DOWNTOWNTOWN AREA SCHOOL DISTRICT

Comparative Statements of Revenues

and Other Financing Sources

General Fund

(Continued)

	2011	2010	2009	2008	2007
Revenues:					
Local Sources:					
Current Real Estate Taxes	\$ 123,849,460	\$ 121,308,451	\$116,188,316	\$ 112,218,749	\$105,213,829
Interim Real Estate Taxes	1,736,256	1,823,629	3,044,228	3,907,605	3,563,185
Public Utility Realty Taxes	196,179	188,392	169,536	174,439	177,122
Act 511 Occupational Privilege Tax	164,639	178,604	189,809	147,464	218,218
Act 511 Earned Income Tax	12,550,773	12,072,855	11,879,981	11,723,290	10,864,954
Act 511 Real Estate Transfer Tax	1,734,999	2,001,326	1,884,621	2,931,794	4,128,842
Delinquent Real Estate Taxes	2,997,765	3,817,104	3,610,739	2,926,886	2,972,307
Earnings on Investments	741,421	1,139,960	2,578,378	4,517,530	4,816,089
Intermediate Unit Revenue	1,474,452	1,518,018	1,516,147	1,440,836	1,429,108
Rentals	93,811	107,587	58,598	105,123	130,024
Tuition - Regular & Summer School	59,311	106,762	135,806	124,750	212,959
Miscellaneous Revenue	775,240	532,401	579,111	242,342	151,711
TOTAL REVENUES FROM LOCAL SOURCES	146,374,306	144,795,089	141,835,270	140,460,808	133,878,348
State Sources:					
Basic Instruction Subsidy	11,697,594	11,932,397	13,058,796	12,679,868	12,431,145
Charter Schools	935,412	839,158	797,043	596,495	524,201
Tuitions	198,057	491,378	452,513	360,524	300,363
Homebound Instruction	0	0	925	423	260
Alternative Education	0	0	112,088	107,700	113,042
Special Education	5,226,233	5,247,386	5,126,418	5,038,561	5,001,683
Transportation	3,715,525	3,981,882	3,976,816	3,752,612	3,519,159
Rental and Sinking Fund Payments	2,909,754	2,115,570	2,125,502	1,883,305	1,579,510
Medical and Dental Services	288,145	286,406	285,906	287,827	272,349
Extra Grants	3,903,983	3,883,624	3,792,872	0	0
Safe Schools	0	27,387	3,685	34,180	0
Accountability Grants	673,836	728,584	720,013	716,593	644,651
Dual Enrollment	46,405	55,585	74,239	125,929	13,766
Social Security Subsidy	2,995,144	2,950,318	2,829,655	2,657,924	2,574,174
Retirement Subsidy	2,281,268	1,918,418	1,799,481	2,604,780	2,395,142
Incarcerated Education	3,720	0	0	0	0
Classrooms of the Future	0	0	183,396	1,016,329	0
TOTAL REVENUES FROM STATE SOURCES	34,875,076	34,458,093	35,339,348	31,863,050	29,369,445
Federal Sources:					
Title I - Low Income	286,555	335,859	218,931	207,592	0
Title II Improving Teaching Quality	188,221	194,570	208,494	190,013	198,655
Title III English Language	38,075	64,138	27,089	30,192	38,948
Title V Innovative Education	0	0	0	10,461	10,593
Drug Free School Grants	10,064	14,634	18,989	22,361	59,553
Qualified School Construction Bond (QSCB)	603,774	0	0	0	0
All Other Federal Grants	1,826,585	661,212	446,080	465,811	613,869
ARRA Grants	2,803,281	2,654,657	0	0	0
TOTAL REVENUES FROM FEDERAL SOURCES	5,756,555	3,925,070	919,583	926,430	921,618
Other Financing Sources:					
Interfund Transfers In	0	0	56,767	0	0
Proceeds from Capital Lease	713,040	0	0	0	0
Refunds of Prior Years Expenses	82,631	193,260	223,935	80,631	34,708
TOTAL OTHER FINANCING SOURCES	795,671	193,260	280,702	80,631	34,708
TOTAL REVENUES	\$ 187,801,608	\$ 183,371,512	\$178,374,903	\$ 173,330,919	\$164,204,119