



WEST CHESTER AREA SCHOOL DISTRICT

*Inspiring students to achieve their personal best*

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2018



West Chester Area School District  
782 Springdale Drive  
Exton, Pennsylvania 19341



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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended  
June 30, 2018



Prepared by the  
West Chester Area School District  
Business Office

Mr. John Scully, Director of Business Affairs  
Mr. Justin Matys, Assistant Director of Business Affairs  
Ms. Jennifer Matthews, Controller

West Chester Area School District  
782 Springdale Drive  
Exton, Pennsylvania 19341

# WEST CHESTER AREA SCHOOL DISTRICT

## TABLE OF CONTENTS

### INTRODUCTORY SECTION

Transmittal Letter.....	1
List of School Board Members and District Administrators .....	7
WCASD Management Team .....	8
ASBO Certificate of Excellence .....	9

### FINANCIAL SECTION

Independent Auditor’s Report.....	10
Management’s Discussion and Analysis (MD&A).....	13
(Required Supplementary Information)	

#### *BASIC FINANCIAL STATEMENTS:*

Entity-wide Financial Statements:	
Statement of Net Position.....	25
Statement of Activities.....	26
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	27
Reconciliation of Balance Sheet – Governmental Funds to Statement of Net Position.....	28
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	29

# WEST CHESTER AREA SCHOOL DISTRICT

## TABLE OF CONTENTS

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to Statement of Activities .....	30
Budgetary Comparison Statement – General Fund .....	31
Statement of Net Position – Proprietary Fund .....	32
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund .....	33
Statement of Cash Flows – Proprietary Fund .....	34
Statement of Net Position – Fiduciary Funds.....	35
Statement of Changes in Net Position – Fiduciary Fund .....	36
Notes to the Basic Financial Statements .....	37
<i>(the notes are an integral part of the basic financial statement)</i>	
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of the District’s Proportionate Share of Net Pension Liability - PSERS .....	72
Schedule of District Pension Contributions – PSERS .....	73
Schedule of the District’s Proportionate Share of Net OPEB Liability - PSERS.....	74
Schedule of District OPEB Contributions - PSERS.....	75
Schedule of Changes in the District’s Net Pension Liability – Single Employer Plan.....	76
Schedule of District OPEB Contributions – Single Employer Plan.....	77

# WEST CHESTER AREA SCHOOL DISTRICT

## TABLE OF CONTENTS

### SUPPLEMENTARY INFORMATION

Combining Statement of Changes in Assets and Liabilities – All Agency Funds.....	78
--	----

### **STATISTICAL SECTION**

Narrative Explanation of Statistical Section.....	79
---	----

#### *FINANCIAL TRENDS*

Net Position by Component Unit.....	80
-------------------------------------	----

Changes in Net Position.....	81
------------------------------	----

Fund Balance – Governmental Funds .....	82
---	----

Changes in Fund Balance – Governmental Funds .....	83
--	----

General Fund Revenues by Source.....	84
--------------------------------------	----

General Fund Expenditures by Type .....	85
---	----

#### *REVENUE CAPACITY*

Governmental Funds - Most Significant Own Source Revenues.....	87
--	----

Analysis of Assessed Value for Taxable Real Estate .....	88
--	----

Market Value verses Assessed Value of Taxable Real Estate.....	89
--	----

Property Tax Rates - All Direct and Overlapping Governments.....	90
--	----

Ten Largest Real Property Taxpayers.....	91
--	----

Real Estate Tax Collection as a Ratio of Levy .....	92
---	----

# WEST CHESTER AREA SCHOOL DISTRICT

## TABLE OF CONTENTS

### *DEBT CAPACITY*

Computation of Non-Electoral Debt Margin.....	93
Gross Principal Debt Outstanding.....	94
Schedule of Direct and Overlapping Debt.....	95
Ratio of Net General Debt to Assessed Value and Debt per Capita.....	96

### *DEMOGRAPHIC AND ECONOMIC INFORMATION*

Trends in Population, Market Value and Personal Income.....	97
Key Economic and Housing Indices.....	98
Largest Employers within the School District.....	99

### *OPERATING INFORMATION*

Staffing Ratios for Professional Staff.....	100
District Facilities.....	101
School District Employees by Function.....	102
Student Enrollment Summary.....	103
Student Market Share Analysis.....	104

### **SINGLE AUDIT**

Single Audit.....	105
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# WEST CHESTER AREA SCHOOL DISTRICT

## INTRODUCTORY SECTION





# WEST CHESTER AREA SCHOOL DISTRICT

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December 17, 2018

Dear Community Member,

We are pleased to present the Comprehensive Annual Financial Report (“CAFR”) of the West Chester Area School District for the fiscal year ended June 30, 2018. The District’s Business Office prepared this report.

The CAFR is published to present complete and accurate financial information on all the funds and financial activities of the District for the 2017-18 fiscal year. The Business Office staff and management are responsible for the accuracy of the statements, notes, schedules and statistical tables. We believe that the information in the report is a fair presentation of the financial position and the results of operations of the District based upon a comprehensive framework of internal controls that have been established for this purpose. The report is prepared in accordance with generally accepted accounting and financial reporting principles applicable to governmental entities in the United States of America. Most importantly, this report will provide the reader with a comprehensive understanding of the District’s financial affairs.

Barbacane, Thornton & Company LLP, Certified Public Accountants, have audited the District’s financial statements. They have issued unmodified opinions on the West Chester Area School District’s financial statements for the year ended June 30, 2018. Their report is located at the beginning of the Financial Section of the CAFR.

The Management’s Discussion and Analysis (“MD&A”), which follows the independent auditor’s report, provides an overview of the District’s financial performance during the fiscal year ended June 30, 2018. It should be read in conjunction with this transmittal letter and the District’s basic financial statements.



## Reporting Entity

The West Chester Area School District is an independent reporting entity and a primary government as defined in the criteria established in the Governmental Accounting Standards Board's ("GASB") *Codification of Governmental Accounting and Financial Reporting*. The basic criteria for determining the inclusion in the reporting entity is financial accountability and the nature and significance of the relationship.

## Profile of the District

The West Chester Area School District was formed by Pennsylvania state law and began operations on July 1, 1966. The District encompasses several communities in Chester County and one in western Delaware County. The District covers an area of approximately 75 square miles. The District's boundaries are coterminous with those of the Borough of West Chester, and the Townships of East Bradford, East Goshen, Thornbury, West Goshen, Westtown and West Whiteland in Chester County and the Township of Thornbury in Delaware County. The Borough of West Chester, located in the geographic center of the District, is the county seat for Chester County and is approximately 25 miles west of Philadelphia. The Borough of West Chester is the financial and professional center for the surrounding area. The Townships are principally residential in character, with regional shopping centers and industrial parks.

The District is governed by a nine member Board of School Directors (the "School Board") who are elected for four year terms. The Superintendent is the chief administrative officer of the District, with overall responsibility for all aspects of operations including education. The Director of Business Affairs is responsible for budget and financial operations. Both of these officials are appointed by the School Board.

The purpose of the District is to provide an education system Kindergarten through 12<sup>th</sup> grade, including regular instruction, special instruction, vocational education and support services to the approximately 15,700 students that live within the District boundaries. To accomplish this goal, the District operates ten (10) elementary schools, three (3) middle schools and three (3) high schools. Additionally, the District is required to pay the tuition for the 615 children that live within the District boundaries that attend charter schools. During the year ended June 30, 2018, the District paid \$9,574,301 in tuition to Charter Schools.

## Budget Process

The Board considers preparation of an annual budget to be one of its most important responsibilities because the budget is the financial reflection of the District's educational plan. The budget shall be designed to carry out that plan in a thorough and efficient manner, to maintain the facilities and to honor District obligations. Budget planning for the District is an integral part of program planning so that the annual operating budget may effectively express and implement all programs and activities of the District. Budget planning is a year-round process involving active participation by administrators, Board members, and appropriate District personnel. The District maintains budgetary controls to ensure compliance with legal provisions incorporated within the annual appropriated budget. The annual appropriated budget is adopted by the School Board by June 30 of each year. Legal budgetary control is maintained at the sub-function major object level.

The District follows the Pennsylvania Public School Code requirements, the procedures mandated by the Pennsylvania Department of Education and the District policies for annual General Fund budget approval. One of those requirements is the requirement to adopt an annual operating budget setting forth District expenditures and revenues and to establish the tax levy prior to the beginning of each fiscal year. The total amount of the budget may not exceed expected revenue plus a prudent and reasonable contingency and reserve. At least 30 days prior to adoption of the final budget, the Board prepares and presents a proposed budget, which is set forth in detail using the forms required by the Pennsylvania Department of Education. The Board holds one or more public hearings on the annual budget prior to the meeting at which it is formally adopted.

During the course of the year, the Pennsylvania School Code prohibits spending to exceed the approved budget. To adjust for price changes and other changes to the original budget assumptions, the District allows for the transfer of funds among budget line items upon the recommendation of the Superintendent and the Director of Business Affairs. By law, such transfers may only be made during the last nine months of the fiscal year and all transfers require Board approval.

## Internal Controls

The objective of a system of internal controls is to provide reasonable, but not absolute, assurance that the District assets are properly protected and to ensure that financial

transactions, which are relied on in the preparation of financial reports, are accurately recorded. The concept of reasonable assurance recognizes that the cost of the system of internal controls should not exceed the benefits likely to be realized and that the valuation of costs and benefits requires estimates and judgments by management. The District has established policies and procedures to effectively implement and maintain a system of internal accounting controls. Management and independent auditors continually evaluate these policies and procedures to ensure the adequacy and effectiveness of the internal control structure.

### Economic Condition and Outlook

The area's economy remains healthy, with Chester County economic indicators surpassing statewide data. The County has one of the lowest unemployment rates among the Commonwealth's 67 counties. Moody's Investors Service reaffirmed the District's Triple-A ratings based on the sizeable and affluent residential tax base, solid financial position that is expected to remain stable and manageable debt burden.

That having been said, the District has been impacted by a number of factors. In 2006, the Pennsylvania General Assembly passed into law Act 1 of 2006. This law places restrictions on the amount that school districts can raise property taxes to within a cost of living increase. The law does allow for exceptions to the Act 1 tax increase above the index for Special Education and state retirement purposes. In 2017-18, the District's base index was 2.5%. The School Board opted to utilize part of the allowable exception for Special Education to increase property taxes by 2.9%.

As the District continues to navigate under the budgetary constraints of Act 1 funding restrictions, other school districts throughout Pennsylvania incurred a number of unfavorable budgetary impacts. The Pennsylvania economy, which has a direct effect on the District's earned income tax and other local revenues, has seen a slight growth over the past few years. The District pension program, which is administered by the State, continues to show increases in pension rates through 2022-23. The District contribution rate increased from the 2016-17 contribution rate of 30.03% to the rate of 32.57% in 2017-18. Both federal and state revenues remain relatively flat over the past few years and the District anticipates minimal increases in the upcoming years.

As a result of the above noted economic conditions, the District's Comprehensive Plan has incorporated a financial goal of funding priorities based on fiscal realities. Part of the goal

requires the District to control debt spending and fund balance limits. The District continues to closely manage economic indicators that will impact the next few budget cycles.

### Long-term Financial Planning and Financial Policies

As stated earlier, the District budgeting process is a year-round process. As part of that process, the Business Office aggressively forecasts revenues and expenditures going five years into the future. This long-term financial planning is essential to absorbing the anticipated changes to mandated expenditure patterns and revenue streams. To assist with this management, the District has many policies in place which include, but are not limited to, fund balance policies and debt policies.

### Major Initiatives

The District is in the middle of a multiyear elementary school renovation project. The most recent elementary school master plan projects renovating all of the District's ten (10) elementary schools between 2011-12 and 2025-26. In 2017-18, the District completed a majority of the renovations at Exton Elementary school and has completed phase I of the renovations at East Goshen Elementary school. The original construction and renovation of the District buildings is included in the statistical section of the CAFR under operating information.

Over the past 18 months, the District has seen a great deal of rapid and recently approved residential development in the District, including about 2,800 new units. The District believes the strength of our educational programming is attractive to new families, and we expect to see about 750 new students from these homes, 500 of which will attend elementary schools. To accommodate the additional influx of students, the District is planning to build an additional eleventh elementary school, slated to open for the 2021-22 school year.

In light of the current economic outlooks, the District is cautiously planning the funding of these projects. The District has always exercised caution and a conservative approach to borrowing.

The District has implemented a full day Kindergarten program at the start of the 2017-18 school year. The full day Kindergarten program provides for increased instructional time for students which will result in learning gains.

## Independent Audit

The District engages an independent certified public accounting firm to audit the District's annual financial statements. The auditor's report on the Fiscal 2017-18 financial statements is included in the Financial Section of this report and complies with applicable guidelines.

## Awards

The Association of School Business Officials International ("ASBO") awarded the Certificate of Excellence ("COE") in Financial Reporting to the West Chester Area School District for its Comprehensive Annual Financial Report ("CAFR") for the fiscal year ended June 30, 2017. This award confirms the school business officials' commitment to financial accountability and transparency. Recognition through the COE program can help strengthen the District's presentation for bond issuance statements and promotes a high level of financial reporting.

## Acknowledgements

The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated service of the entire staff of the Business Office. Each member has our sincere appreciation for contributions made in the preparation of this report.

Respectfully,



John Scully  
Director of Business Affairs

**WEST CHESTER AREA SCHOOL DISTRICT**

**2017-18 School Board Members**

Chris McCune	School Board President
Sue Tiernan	School Board Vice President
Gary Bevilacqua	Member
Joyce Chester	Member
Brian Gallen	Member
Karen Herrmann	Member
Kate Shaw	Member
Randell Spackman	Member
Christopher Tabakin	Member

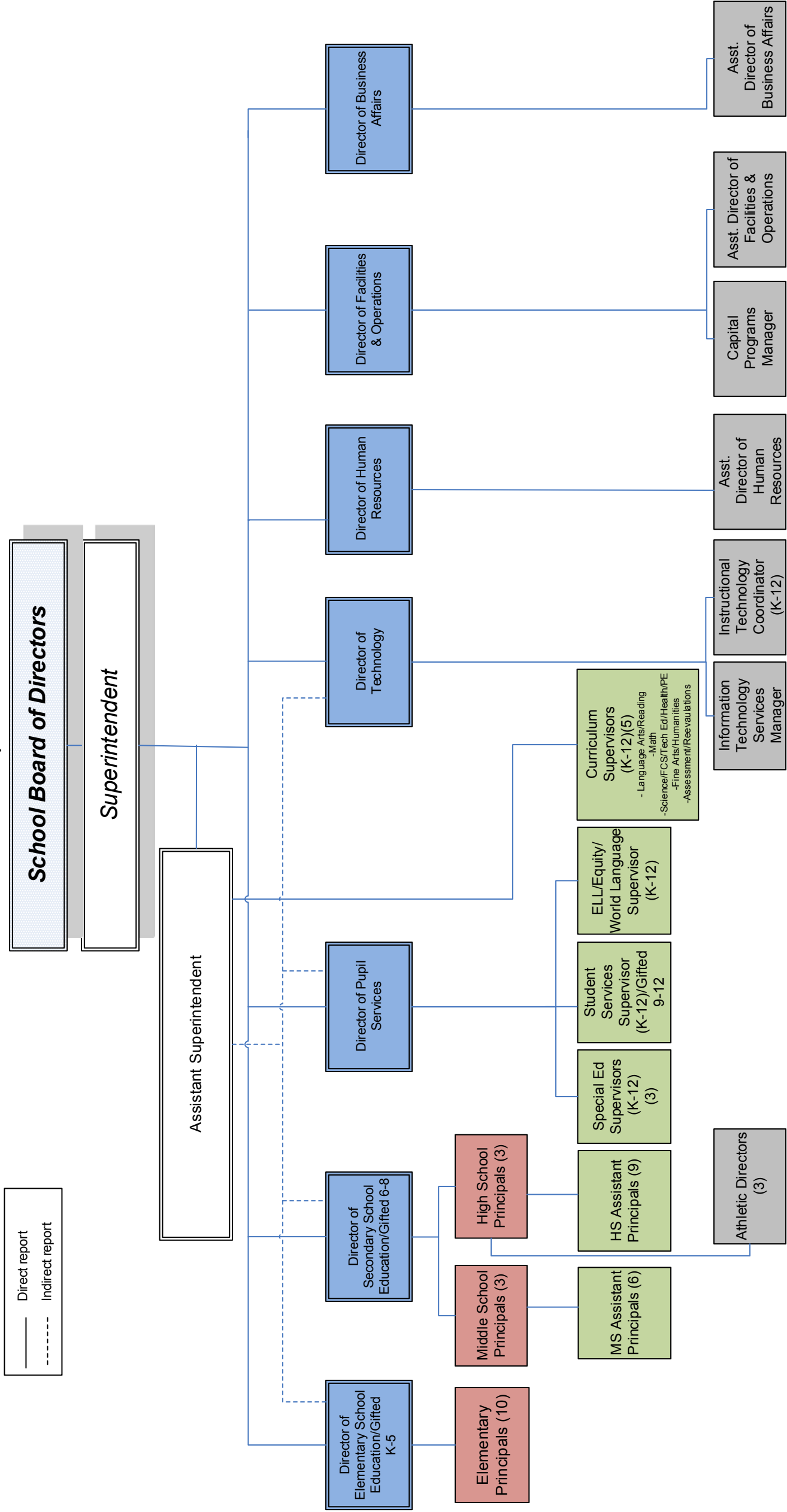
**District Administrators**

Dr. Jim Scanlon	Superintendent
Dr. Robert Sokolowski	Assistant Superintendent
Dr. Tammi Florio	Director of Elementary Education
Dr. Sara Missett	Director of Secondary Education
Kevin Campbell	Director of Facilities and Operations
Michael Wagman	Director of Information Technology
Dr. Jeff Ulmer	Director of Human Resources
John Scully	Director of Business Affairs
Dr. Leigh Ann Ranieri	Director of Pupil Services



# WCASD Management Team

July 2017





ASSOCIATION OF  
SCHOOL BUSINESS OFFICIALS  
INTERNATIONAL

The Certificate of Excellence in Financial Reporting  
is presented to

**West Chester Area School District**

**for its Comprehensive Annual Financial Report (CAFR)  
for the Fiscal Year Ended June 30, 2017.**

The CAFR has been reviewed and met or exceeded  
ASBO International's Certificate of Excellence standards.



A handwritten signature in black ink, reading 'Charles E. Peterson, Jr.'.

Charles E. Peterson, Jr., SFO, RSBA, MBA  
President

A handwritten signature in black ink, reading 'John D. Musso'.

John D. Musso, CAE  
Executive Director

# WEST CHESTER AREA SCHOOL DISTRICT

## FINANCIAL SECTION



## INDEPENDENT AUDITOR'S REPORT

December 17, 2018

Board of School Directors  
West Chester Area School District  
Exton, 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 the West Chester Area School District ("the District"), Exton, Pennsylvania, as of and for the year ended June 30, 2018, 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.

### Auditor's Responsibility

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

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

Board of School Directors  
West Chester Area School District

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 the West Chester Area School District, Exton, Pennsylvania, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof, and the budgetary comparison statement of the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Notes 1 and 20 to the financial statements, the West Chester Area School District has adopted the requirements of GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." This statement modifies the accounting for the District's other postemployment benefits. As a result, the beginning governmental activities net position has been restated. Our opinion is not modified with respect to this matter.

Other Matters

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 13 through 24, schedule of the District's proportionate share of the net pension liability - PSERS on page 72, schedule of District pension contributions - PSERS on page 73, schedule of the District's proportionate share of the net OPEB liability - PSERS on page 74, schedule of District OPEB contributions - PSERS on page 75, schedule of changes in the District's net OPEB liability - Single Employer Plan on page 76, and schedule of District OPEB contributions - Single Employer Plan on page 77 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 the District's basic financial statements. The introductory section, statistical section, and combining statement of changes in assets and liabilities – all agency funds are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2018, on our consideration of the 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 the District's internal control over financial reporting and compliance.

*Barbacane, Thornton & Company LLP*  
BARBACANE, THORNTON & COMPANY LLP



**WEST CHESTER AREA SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED**  
**JUNE 30, 2018**

**INTRODUCTION**

The discussion and analysis of the financial performance of the West Chester Area School District ("the District") provides an overall review of the District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers also should review the financial statements and the notes to the financial statements to enhance their understanding of the District's financial performance.

**DISTRICT MISSION STATEMENT**

The District's mission is to educate and inspire our students to achieve their personal best.

**DISTRICT PROFILE**

The District consists of ten elementary schools, three middle schools and three high schools, serving 11,900 students. The District serves a 75 square-mile suburban, urban, and rural area in Chester County, Pennsylvania and is comprised of West Chester Borough and the surrounding townships of East Goshen, West Goshen, East Bradford, West Whiteland, Westtown, and Thornbury in Chester County and Thornbury Township in Delaware County. The Staff, headed by Superintendent Dr. Jim Scanlon, includes more than 940 teachers, 60 administrators, and 400 support staff. More than 70 percent of our certified teaching staff and 100 percent of our administrative staff hold advanced degrees. Student achievement is the primary focus in the District as it is consistently ranked among the best in the state and nation, with 93 percent of its graduates attending college after graduation. Recognition for 2018 includes U.S. News and World Report and Newsweek's Best Public High Schools in the nation. The District is considered a top-rated school district according to niche.com and schooldigger.com users. The National Association of Music Merchants Foundation recognized the District as one of the best communities for music education. Also in 2018, the District recognized 35 students that were named National Merit Scholars and 338 students that were named AP Scholars.

**FINANCIAL HIGHLIGHTS**

- In 2017-18, the District experienced a large growth in investment income. Investment income for 2017-18 was \$1,685,449, which was an increase of \$795,469, from the prior year's \$889,980.
- The largest District revenue stream is local property tax. In 2017-18, the School Board raised property taxes 2.9 percent or 0.5859 mills. The taxpayers in Chester County were assessed for property taxes at 20.6841 mills. (Please note that one mill is equal to one-tenth of a cent or \$0.001 of assessed value.) The Delaware County tax rate was assessed based upon the equalized millage calculation, which resulted in an increase in tax rate from 14.7113 mills in 2016-17 to 15.2086 mills in 2017-18.

**WEST CHESTER AREA SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)**  
**JUNE 30, 2018**

- The statement of net position reflects the actuarially determined net pension liability of \$335,940,000, deferred outflows of resources of \$55,472,159 comprising contributions made by the District made after the measurement date of June 30, 2017, contributions made in excess of the required contributions made in the year of the measurement date, and changes in the District's proportionate share of the net pension liability and deferred inflows of resources of \$2,393,000 comprised of investment returns on pension assets over projected returns and differences between the actuarially expected and actual experience to be recognized as a future reduction in pension expense, and a decrease in the liability until fully recognized.
- On an entity-wide basis, the District's total net position was negative \$224,955,650 at June 30, 2018. This represented an increase of 1.05 percent from the prior year.
- On a fund level reporting basis, compared to the prior year, the District's General Fund total revenues, excluding other financing sources, increased 2.88 percent or \$6,767,611. This increase was driven by property tax revenue growth and other local revenues.
- On a fund level reporting basis, compared to the prior year, the District's General Fund expenditures increased \$4,724,623 or 2.06 percent. The driving factor in this increase was planned debt service expenditures and retirement expense. The District's pension contributions increased by 11.04 percent or \$2,989,526.

**OVERVIEW OF FINANCIAL STATEMENTS**

The accompanying financial statements have been prepared in accordance with the Governmental Accounting Standards Board's *Codification of Government Accounting and Financial Reporting Standards* ("GASB Codification") and present both entity-wide and fund level financial statements using both the accrual basis and modified accrual basis of accounting, respectively.

**Entity-Wide Financial Statements**

The first two statements are entity-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 entity-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 District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two entity-wide statements report the District's net position and how they have changed. Net position, the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, is one way to measure the District's financial health or position.

**WEST CHESTER AREA SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)**  
**JUNE 30, 2018**

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, the reader needs to consider additional nonfinancial factors, such as changes in the District's property tax base and the performance of the students.

The entity-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 entity-wide statements. The governmental funds statements tell how the District's general services were financed in the short term as well as what remains for future spending. Proprietary fund statements offer short-term and long-term financial information about the activities that the District operates like a business. For this District, this is our Food Service Fund. Fiduciary fund statements provide information about financial relationships for which 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. The District's major governmental funds are the General Fund, the Capital Projects Fund, and the Capital Reserve Fund. Governmental funds are reported using the modified accrual accounting method, 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, and 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 generally are reported in proprietary funds. The Food Service Fund is the District's proprietary fund and is the same as the business-type activities reported in the entity-wide statements.

**WEST CHESTER AREA SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)**  
**JUNE 30, 2018**

- **Fiduciary Funds** – The District is the trustee, or fiduciary, for some scholarship funds. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. These activities are excluded from the District's other financial statements because the District cannot use these assets to finance its operations.

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

**FINANCIAL ANALYSIS OF THE DISTRICT - ENTITY-WIDE STATEMENTS**

The District's total net position was negative \$224,955,650 at June 30, 2018. This represents an increase of \$2,386,632 over the prior year. The table below presents condensed financial information for the net position of the District as of June 30, 2018 and 2017.

**Statement of Net Position**  
**June 30, 2018 and 2017**

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
<b>ASSETS:</b>						
Current and other assets	\$ 84,627,807	\$ 81,525,581	\$1,280,060	\$1,224,373	\$ 85,907,867	\$ 82,749,954
Capital assets	298,397,120	298,265,376	682,070	590,353	299,079,190	298,855,729
<b>TOTAL ASSETS</b>	<b>383,024,927</b>	<b>379,790,957</b>	<b>1,962,130</b>	<b>1,814,726</b>	<b>384,987,057</b>	<b>381,605,683</b>
Deferred outflows of resources	63,854,690	74,852,478	-	-	63,854,690	74,852,478
<b>LIABILITIES:</b>						
Current liabilities	43,793,580	43,316,580	430,521	347,337	44,224,101	43,663,917
Noncurrent liabilities	626,517,296	637,324,526	-	-	626,517,296	637,324,526
<b>TOTAL LIABILITIES</b>	<b>670,310,876</b>	<b>680,641,106</b>	<b>430,521</b>	<b>347,337</b>	<b>670,741,397</b>	<b>680,988,443</b>
Deferred inflows of resources	3,056,000	2,812,000	-	-	3,056,000	2,812,000
<b>NET POSITION (DEFICIT):</b>						
Net investment in capital assets	29,976,250	23,124,893	682,070	590,353	30,658,320	23,715,246
Restricted for capital projects	22,461,479	22,444,089	-	-	22,461,479	22,444,089
Unrestricted (Deficit)	(278,924,988)	(274,378,653)	849,539	877,036	(278,075,449)	(273,501,617)
<b>TOTAL NET POSITION (DEFICIT)</b>	<b><u>\$ (226,487,259)</u></b>	<b><u>\$ (228,809,671)</u></b>	<b><u>\$1,531,609</u></b>	<b><u>\$1,467,389</u></b>	<b><u>\$ (224,955,650)</u></b>	<b><u>\$ (227,342,282)</u></b>

The governmental activities restricted net position in the amount of \$22,461,479 is set aside to fund capital improvements, the replacement of and additions to public works, and deferred maintenance. The total unrestricted net position in the amount of negative \$278,075,449 included \$849,539 which could be used for capital and other expenditures within the District's food service program.

**WEST CHESTER AREA SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)**  
**JUNE 30, 2018**

The results of this year's operations as a whole are reported in the Statement of Activities. All expenses are reported in the first column. Specific charges, grants, revenues, and subsidies that relate directly to specific expense categories are presented to determine the final amount of the District's activities that are supported by other general revenues. The largest revenues are property taxes, local taxes, and the state basic education subsidy.

The table below presents condensed financial information for the Statement of Activities in a different format so that the reader can see the total revenues for the year. Compared to the prior year, the District's total revenues increased by \$6,999,790 or 2.93 percent. The largest change in revenue occurred in property taxes. Property taxes increased by \$5,779,268 or 3.59 percent. The balance of the revenue growth came from increases in operating grants and contributions and other taxes.

Expenses increased by \$422,536 or 0.17 percent. The largest drivers of this increase were Instruction and Administrative/Financial Support spending.

**Statement of Activities**  
**For the Years Ended June 30, 2018 and 2017**

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
<b>REVENUES</b>						
Program services:						
Charges for services	\$ 1,201,974	\$ 1,227,448	\$2,605,888	\$2,493,463	\$ 3,807,862	\$ 3,720,911
Operating grants and contributions	34,373,891	32,894,525	908,238	823,346	35,282,129	33,717,871
General revenues:						
Property taxes	166,944,204	161,164,936	-	-	166,944,204	161,164,936
Other taxes	26,082,351	27,524,533	-	-	26,082,351	27,524,533
Grants, subsidies, and contributions not restricted	11,745,770	11,552,814	-	-	11,745,770	11,552,814
Other revenue	1,883,506	1,080,943	15,976	-	1,899,482	1,080,943
<b>TOTAL REVENUES</b>	<b><u>242,231,696</u></b>	<b><u>235,445,199</u></b>	<b><u>3,530,102</u></b>	<b><u>3,316,809</u></b>	<b><u>245,761,798</u></b>	<b><u>238,762,008</u></b>
<b>EXPENSES</b>						
Instruction	156,086,694	155,262,037	-	-	156,086,694	155,262,037
Instructional student support	18,314,954	18,519,607	-	-	18,314,954	18,519,607
Administrative/financial support	19,943,338	19,342,370	-	-	19,943,338	19,342,370
Operation and maintenance of plant services	17,457,046	18,039,504	-	-	17,457,046	18,039,504
Pupil transportation	14,133,742	14,429,271	-	-	14,133,742	14,429,271
Student activities	5,367,392	5,214,620	-	-	5,367,392	5,214,620
Community services	151,336	171,227	-	-	151,336	171,227
Interest on long-term debt	8,454,782	8,679,619	-	-	8,454,782	8,679,619
Food service	-	-	3,465,882	3,294,375	3,465,882	3,294,375
<b>TOTAL EXPENSES</b>	<b><u>239,909,284</u></b>	<b><u>239,658,255</u></b>	<b><u>3,465,882</u></b>	<b><u>3,294,375</u></b>	<b><u>243,375,166</u></b>	<b><u>242,952,630</u></b>
CHANGE IN NET POSITION	2,322,412	(4,213,056)	64,220	22,434	2,386,632	(4,190,622)
BEGINNING NET POSITION (DEFICIT)	(228,809,671)	(224,596,615)	1,467,389	1,444,955	(227,342,282)	(223,151,660)
<b>ENDING NET POSITION (DEFICIT)</b>	<b><u>\$ (226,487,259)</u></b>	<b><u>\$ (228,809,671)</u></b>	<b><u>\$1,531,609</u></b>	<b><u>\$1,467,389</u></b>	<b><u>\$ (224,955,650)</u></b>	<b><u>\$ (227,342,282)</u></b>

**WEST CHESTER AREA SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)**  
**JUNE 30, 2018**

**EXPENSES**

The table below presents condensed financial information on the expenses of the District by function. The table illustrates both the gross and net costs of services. Unrestricted grants, subsidies, and contributions are deducted to reflect the amount needed to be funded by other revenue sources. The amount needed to be funded by other revenue sources decreased by \$1,395,819 or 0.72 percent less than the prior year. The table for business-type activity reflects condensed financial activities of the food service program, the only business-type activity of the District.

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b><u>Governmental-type Activities</u></b>				
Expenses - Governmental Activities:				
Instruction	\$ 156,086,694	\$ 155,262,037	\$ 133,548,916	\$ 133,887,730
Instructional student support	18,314,954	18,519,607	15,390,230	16,044,066
Administrative and financial support	19,943,338	19,342,370	18,134,363	17,675,707
Operation and maintenance of plant services	17,457,046	18,039,504	13,995,265	14,095,723
Pupil transportation	14,133,742	14,429,271	10,352,513	10,715,750
Student activities	5,367,392	5,214,620	4,306,783	4,267,217
Community services	151,336	171,227	150,567	170,470
Interest on long-term debt	<u>8,454,782</u>	<u>8,679,619</u>	<u>8,454,782</u>	<u>8,679,619</u>
<b>TOTAL EXPENSES</b>	<u><u>\$ 239,909,284</u></u>	<u><u>\$ 239,658,255</u></u>	204,333,419	205,536,282
Less: Grants, subsidies, and contributions not restricted			<u>(11,745,770)</u>	<u>(11,552,814)</u>
<b>AMOUNT NEEDED TO BE FUNDED BY OTHER REVENUE SOURCES</b>			<u><u>\$ 192,587,649</u></u>	<u><u>\$ 193,983,468</u></u>

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b><u>Business-type Activities</u></b>				
Food services	<u><u>\$ 3,465,882</u></u>	<u><u>\$ 3,294,375</u></u>	<u><u>\$ (48,244)</u></u>	<u><u>\$ (22,434)</u></u>



**WEST CHESTER AREA SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)**  
**JUNE 30, 2018**

**THE DISTRICT FUNDS**

**General Fund**

At June 30, 2018, the District reported a General Fund fund balance of \$31,906,388, which represents 13.64 percent of total expenditures and was an increase of \$3,126,195 over the prior year. Of this amount, the District committed \$4,159,909 for the purpose of healthcare rate stabilization. Due to the nature of self-insuring health insurance claims, the District experiences volatility in annual health insurance costs. To smooth these expenditures, in 2011 the District established a health insurance rate stabilization fund and for the current year the District maintained a balance consistent with the prior year of \$4,159,909. The District assigned \$11,304,138 of the fund balance towards Tax Rate Stabilization. These funds will be used to offset the 2018-19 budget gaps and minimizes the need for future tax increases. The School Board of West Chester Area School District manages the fund balance to respond to unforeseen contingencies and economic conditions. This philosophy was established during a healthy and growing economy within the District and accurate and timely forecasting which allows the District to constantly monitor economic trends within our community. This philosophy conforms to the Board's belief that the tax burden should be aligned with the current funding needs of the District. During 2017 to help fund fluctuations in alternative education cost the District established an Alternative Education fund and for the current year the District's assigned balance was \$676,000. The remaining assigned fund balance of \$69,756 is assigned for athletic activities.

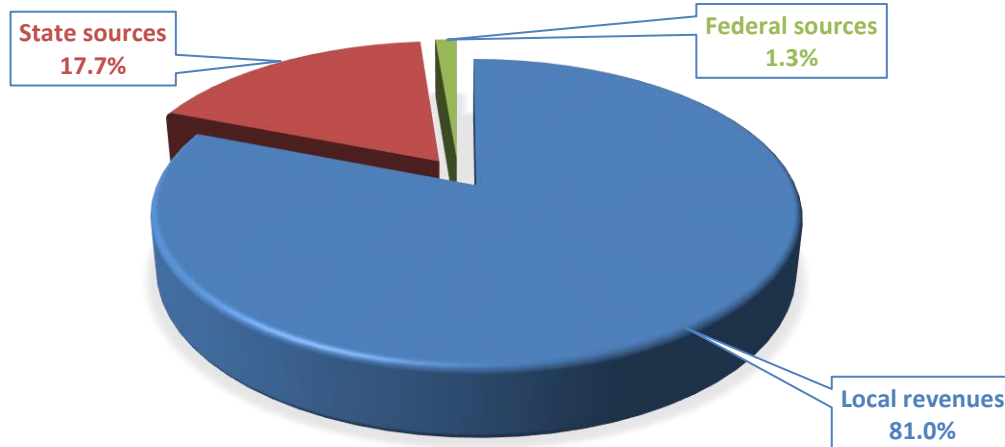
**REVENUE**

General Fund Revenues, excluding other financing sources, total \$242,134,274, which is an increase from the collections in the prior year. The table below reflects a comparison of current year revenues to prior year revenues:

	General Fund Revenue 2018	Percentage of Total	Increase/ (Decrease) from 2017	Variance Over/(Under) Final Budget
Local revenues	\$ 196,014,612	81.0%	\$ 5,095,290	\$ 2,267,567
State sources	42,747,951	17.7%	1,591,307	1,324,405
Federal sources	3,371,711	1.3%	81,014	368,819
<b>TOTAL</b>	<b>\$ 242,134,274</b>	<b>100.00%</b>	<b>\$ 6,767,611</b>	<b>\$ 3,960,791</b>

**WEST CHESTER AREA SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)**  
**JUNE 30, 2018**

**2017-18 GENERAL FUND REVENUES**



Local revenues increased by \$5,095,290 due to the following significant factors. The District's real estate tax revenues increased by \$6,182,783 from the prior year due to a 2.9 percent or 0.5 mill increase in the tax rate. Additionally, investment income increased by \$670,339. The increases were offset by decreases in real estate transfer tax revenue and delinquent tax collections in the amounts of \$1,131,562 and \$771,134, respectively.

The increase in state revenues is due to an increase in the District's retirement subsidy. The state reimburses the District for 50 percent of the District's pension cost. The dramatic increase in the state pension rates caused both an increase in the annual pension costs as well as an increase of \$1,498,045 in the related retirement subsidy reimbursement. In addition to the retirement subsidy increase, the District had increases in both basic instructional subsidy and special education subsidy of \$190,183 and \$551,200, respectively. The increases were offset by decreases in rental subsidy and social security subsidy of \$549,568 and \$113,096, respectively.

Federal revenues increased by 2.4 percent, which is the net effect of an increase in Medical Assistance funding of \$335,883 and decreases in Title I and Title II funding in the amounts of \$145,575 and \$136,951, respectively.

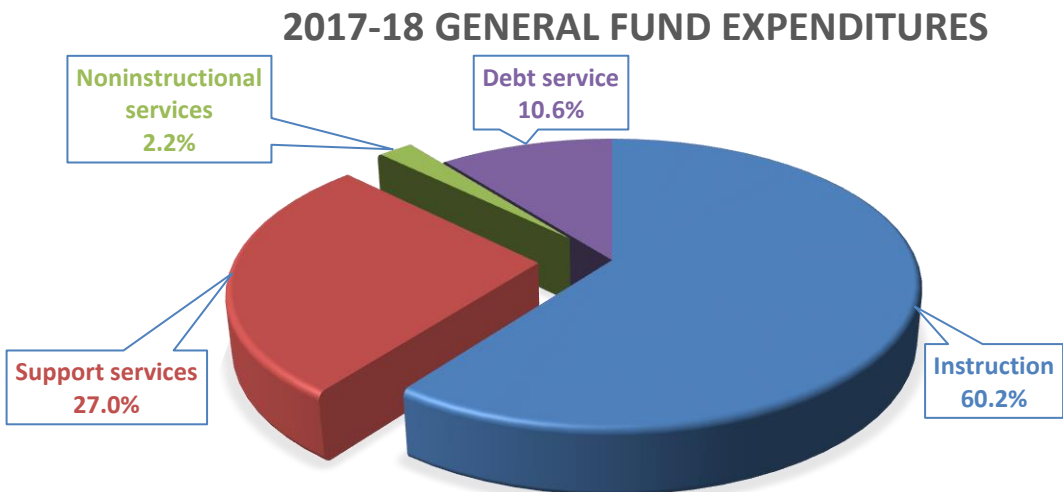
**EXPENDITURES**

General Fund expenditures, excluding transfers to other governmental funds, totaled \$233,913,420. This was an increase of \$4,724,623 or 2.06 percent over the prior year, and it was \$4,770,720 under the

**WEST CHESTER AREA SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)**  
**JUNE 30, 2018**

approved budget. The expenditures were segregated into various programs depending on the functions of the activity. These programs and the costs associated with each, as well as comparison to the costs incurred in the prior year and the final 2017-18 budget, are as follows:

	General Fund Expenditures 2018	Percentage of Total	Increase/ (Decrease) from 2017	Variance Over/(Under) Final Budget
Instruction	\$ 140,801,562	60.2%	\$ 3,007,271	\$ (1,720,505)
Support services	63,217,521	27.0%	774,019	(2,653,883)
Noninstructional services	5,038,435	2.2%	172,818	(305,463)
Debt service	24,855,902	10.6%	770,515	(90,869)
<b>TOTAL</b>	<b>\$ 233,913,420</b>	<b>100.0%</b>	<b>\$ 4,724,623</b>	<b>\$ (4,770,720)</b>



The driving factors for the 2017-18 increases in expenses were related to retirement expense, personnel salaries, and debt service expense. The District's employer pension expenses rose 11.04 percent in 2017-18. Salary and retirement expense increases drove both instructional expense and support service increases. Retirement and contracted professional service costs drove the increase in non-instructional support services expenses.

**WEST CHESTER AREA SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)**  
**JUNE 30, 2018**

**Capital Projects Fund**

Fiscal year 2017-18 represented the seventh year of the District's elementary school master plan renovations. By the completion of this plan, all 10 elementary schools will have been renovated. As of June 30, 2018, the District had a capital projects fund balance of \$4,845,178. This was an increase of \$490,337 from the prior year. The District reported net cash inflows of \$9,750,000, which represented the new bond funds secured to fund the latest elementary school renovations. The District also reported expenditures of \$9,259,663 in 2017-18. These expenditures were primarily related to the design and renovation of the elementary schools.

**Capital Reserve Fund**

The Capital Reserve Fund had a fund balance of \$22,461,479 at June 30, 2018. This was a \$17,391 increase from the prior year. The Capital Reserve Fund is funded by transfers from the General Fund. In 2017-18, the capital outflows from the Capital Reserve Fund were spent on technology replacements, the purchase and renovation of an administration building, as well as repairs and maintenance projects. The Capital Reserve Fund received a transfer in of \$5,135,385 from the General Fund. This transfer represented general fund maintenance projects and debt service savings achieved through refinancing an existing bond issue.

**GENERAL FUND BUDGET**

During the fiscal year, the School Board Members authorized revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District. All adjustments are confirmed again at the time the annual audit is accepted. This is done after the end of the fiscal year in accordance with state law. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in the financial statements.

Due to legislative restrictions, the District must adopt a preliminary budget six months before the start of the fiscal year. Subsequent to the start of the fiscal year, the District's projections indicated that future budget years would experience a budgetary shortfall due to rising pension rates and limited local revenue increases. In reaction to this anticipated gap, the District has been conservative with spending. This is evident when reviewing the District's actual expenditures versus the approved budget. Total revenues were collected above budgeted amounts at \$3,960,791 over budget or 1.66 percent. Total expenditures were under the amended budget by \$4,770,720 or 2.04 percent.

**CAPITAL ASSETS**

At June 30, 2018, the District had \$299,079,190 invested in a broad range of governmental and business-type activities capital assets, including land, buildings, furniture, and equipment. This amount represents a net increase (including additions, deletions, and depreciation) of \$223,461 or 0.07 percent from the prior year. Additionally, the District's construction-in-progress balance increased by \$5,267,138 from the prior year.

**WEST CHESTER AREA SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)**  
**JUNE 30, 2018**

The following schedule depicts the capital assets for the period July 1, 2017 through June 30, 2018. More detailed information about capital assets is included in the notes to the financial statements.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Assets</u>
Capital assets:			
Land	\$ 28,289,916	\$ -	\$ 28,289,916
Land improvements	16,416,508	-	16,416,508
Buildings	422,006,008	-	422,006,008
Construction-in-progress	16,123,716	-	16,123,716
Furniture and equipment	<u>38,915,013</u>	<u>1,424,956</u>	<u>40,339,969</u>
TOTAL CAPITAL ASSETS	521,751,161	1,424,956	523,176,117
TOTAL ACCUMULATED DEPRECIATION	<u>223,354,041</u>	<u>742,886</u>	<u>224,096,927</u>
CAPITAL ASSETS, NET	<u>\$ 298,397,120</u>	<u>\$ 682,070</u>	<u>\$ 299,079,190</u>

**DEBT ADMINISTRATION**

As of June 30, 2018, the District had total outstanding bonds and related charges of \$274,002,382, a decrease of \$7,707,996 from the prior year. Based upon a projection of future debt margins, the retirement of principal on current issues, and estimated future borrowing, the District is certain that it will not exceed its debt limit.

**Debt Service Schedule  
June 30, 2018**

	<u>Principal Outstanding June 30, 2017</u>	<u>Maturities/ Refinancing</u>	<u>Additions</u>	<u>Principal Outstanding June 30, 2018</u>
GENERAL OBLIGATION				
BONDS AND NOTES	\$ 261,070,000	\$ 14,695,000	\$ 9,750,000	\$ 256,125,000
<i>Deferred amounts :</i>				
Net Issuance premium	<u>20,640,378</u>	<u>2,762,996</u>	<u>-</u>	<u>17,877,382</u>
LONG-TERM DEBT	<u>\$ 281,710,378</u>	<u>\$ 17,457,996</u>	<u>\$ 9,750,000</u>	<u>\$ 274,002,382</u>

**WEST CHESTER AREA SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)**  
**JUNE 30, 2018**

**OTHER LONG-TERM LIABILITIES**

Other obligations include accrued vacation pay and severance for specific employees of the District and the net pension and OPEB liabilities. More detailed information about long-term liabilities is included in the notes to the financial statements.

**THE DISTRICT'S FUTURE**

The West Chester Area School District forecasts budgetary impacts five years forward. Looking forward, the District is currently forecasting expenses to outpace revenues, creating a budgetary gap. Local revenue, the District's largest budgetary stream, has shown signs over the past year of moderate growth. Interim real estate tax, earned income tax, growth in real estate tax base, and transfer tax collections all follow local economic trends. While state and federal funding have increased recently, increases were driven by pension and social security subsidy increases that are mirrored by the cost and do not assist in addressing budgetary gaps. Expense growth in the future will continue to be driven by pension, staffing salary, and benefit costs. The District's employer pension contribution rate rose to 32.57 percent in 2017-18 and will continue to increase going forward. The District also projects an annual increase of 7.57 percent per year in health benefits.

In response, the District continues to budget conservatively. The District uses fund balance management techniques to reserve funds for potential healthcare costs, alternative education costs, and reduce millage impact. The District has changed healthcare plans for all its labor groups in an attempt to limit healthcare expenses. While currently the District is showing a deficit, the District School Board and staff are working hard to develop methods to address the District's long-term financial needs.

Within the District's capital funds, during the past year, the District has seen a large number of residential development projects approved within the District's boundaries. In anticipation of the future influx of additional new student enrollment, the District has adjusted its long-term elementary school master plan to include a new eleventh elementary school. The District will continue the renovations and/or additions to each of its existing 10 elementary schools. This project was the continuation of the District's secondary school renovation program that was completed. The District has completed its fifth building renovation and is in progress with the sixth renovation. As for the balance of the plan, the District is cautious due to the current financial environment. The District has always exercised caution in a conservative approach to borrowing, including waiting until long-term bonds (20-year notes) were capable of being sold at advantageous, fixed rates of interest.

**FINANCIAL MANAGEMENT**

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors, 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 Mr. John Scully, Director of Business Affairs at the West Chester Area School District, 782 Springdale Drive, Exton, PA 19341, (484) 266-1020.

**WEST CHESTER AREA SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 21,987,478	\$ 62,357	\$ 22,049,835
Investments	46,406,465	1,037,811	47,444,276
Internal balances	(10,892)	10,892	-
Due from other governments	7,509,937	130,474	7,640,411
Other receivables	1,038,135	16,138	1,054,273
Taxes receivable	3,280,667	-	3,280,667
Prepaid expenses	2,957,388	-	2,957,388
Inventories	-	22,388	22,388
<b>Total Current Assets</b>	<b>83,169,178</b>	<b>1,280,060</b>	<b>84,449,238</b>
<b>Noncurrent Assets:</b>			
Investments	1,458,629	-	1,458,629
<b>Capital assets</b>			
Land	28,289,916	-	28,289,916
Construction-in-progress	16,123,716	-	16,123,716
Land improvements	16,416,508	-	16,416,508
Buildings	422,006,008	-	422,006,008
Furniture and equipment	38,915,013	1,424,956	40,339,969
Less: Accumulated depreciation	(223,354,041)	(742,886)	(224,096,927)
<b>Total Noncurrent Assets</b>	<b>299,855,749</b>	<b>682,070</b>	<b>300,537,819</b>
<b>TOTAL ASSETS</b>	<b>383,024,927</b>	<b>1,962,130</b>	<b>384,987,057</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred amount on refunding	5,581,512	-	5,581,512
Deferred outflows relating to OPEB	2,801,019	-	2,801,019
Deferred outflows relating to pension	55,472,159	-	55,472,159
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>63,854,690</b>	<b>-</b>	<b>63,854,690</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 446,879,617</b>	<b>\$ 1,962,130</b>	<b>\$ 448,841,747</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)</b>			
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts payable and other current liabilities	\$ 23,634,731	\$ 247,340	\$ 23,882,071
Accrued interest	1,661,431	-	1,661,431
Unearned revenues	85,184	183,181	268,365
Bonds and notes payable, net	18,412,234	-	18,412,234
<b>Total Current Liabilities</b>	<b>43,793,580</b>	<b>430,521</b>	<b>44,224,101</b>
<b>Noncurrent Liabilities:</b>			
Bonds and notes payable, net	255,590,148	-	255,590,148
Accrued severance and compensated absences	4,955,912	-	4,955,912
Net OPEB liability	30,031,236	-	30,031,236
Net pension liability	335,940,000	-	335,940,000
<b>Total Noncurrent Liabilities</b>	<b>626,517,296</b>	<b>-</b>	<b>626,517,296</b>
<b>TOTAL LIABILITIES</b>	<b>670,310,876</b>	<b>430,521</b>	<b>670,741,397</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows relating to OPEB	663,000	-	663,000
Deferred inflows relating to pension	2,393,000	-	2,393,000
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>3,056,000</b>	<b>-</b>	<b>3,056,000</b>
<b>NET POSITION (DEFICIT)</b>			
Net investment in capital assets	29,976,250	682,070	30,658,320
Restricted for capital projects	22,461,479	-	22,461,479
Unrestricted (Deficit)	(278,924,988)	849,539	(278,075,449)
<b>TOTAL NET POSITION (DEFICIT)</b>	<b>(226,487,259)</b>	<b>1,531,609</b>	<b>(224,955,650)</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)</b>	<b>\$ 446,879,617</b>	<b>\$ 1,962,130</b>	<b>\$ 448,841,747</b>

The accompanying notes are an integral part of these financial statements.

**WEST CHESTER AREA SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position (Deficit)		
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- type Activities	Totals
<b>PRIMARY GOVERNMENT</b>						
<b>GOVERNMENTAL ACTIVITIES:</b>						
Instruction	\$ 156,086,694	\$ 205,288	\$ 22,332,490	-	-	\$(133,548,916)
Instructional student support	18,314,954	-	2,924,724	-	-	(15,390,230)
Administrative and financial support services	19,943,338	-	1,808,975	-	-	(18,134,363)
Operation and maintenance of plant services	17,457,046	481,072	2,980,709	-	-	(13,995,265)
Pupil transportation	14,133,742	-	3,781,229	-	-	(10,352,513)
Student activities	5,367,392	515,614	544,995	-	-	(4,306,783)
Community services	151,336	-	769	-	-	(150,567)
Interest on long-term debt	8,454,782	-	-	-	-	(8,454,782)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>239,909,284</b>	<b>1,201,974</b>	<b>34,373,891</b>	<b>-</b>	<b>-</b>	<b>(204,333,419)</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>						
Food service	3,465,882	2,605,888	908,238	-	48,244	48,244
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 243,375,166</b>	<b>\$ 3,807,862</b>	<b>\$ 35,282,129</b>	<b>-</b>	<b>48,244</b>	<b>(204,285,175)</b>
<b>GENERAL REVENUES</b>						
Property taxes, levied for general purposes				166,944,204	-	166,944,204
Taxes levied for specific purposes				26,082,351	-	26,082,351
Grants, entitlements, and contributions not restricted to specific programs				11,745,770	-	11,745,770
Investment earnings				1,669,473	15,976	1,685,449
Other				214,033	-	214,033
<b>TOTAL GENERAL REVENUES</b>				<b>206,655,831</b>	<b>15,976</b>	<b>206,671,807</b>
<b>CHANGE IN NET POSITION (DEFICIT)</b>				2,322,412	64,220	2,386,632
<b>NET POSITION (DEFICIT), BEGINNING OF YEAR, RESTATED</b>				<b>(228,809,671)</b>	<b>1,467,389</b>	<b>(227,342,282)</b>
<b>NET POSITION (DEFICIT), END OF YEAR</b>				<b>\$ (226,487,259)</b>	<b>\$ 1,531,609</b>	<b>\$(224,955,650)</b>

The accompanying notes are an integral part of these financial statements.



**WEST CHESTER AREA SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2018**

	General Fund	Capital Projects Fund	Capital Reserve Fund	Totals
<b>ASSETS</b>				
Cash and cash equivalents	\$ 16,188,510	\$ 1,004,453	\$ 4,794,515	\$ 21,987,478
Investments	24,329,941	5,214,169	18,320,984	47,865,094
Taxes receivable	3,280,667	-	-	3,280,667
Due from other governments	7,509,937	-	-	7,509,937
Other receivables	1,038,135	-	-	1,038,135
Prepaid expenditures	2,649,038	3,500	304,850	2,957,388
<b>TOTAL ASSETS</b>	\$ 54,996,228	\$ 6,222,122	\$ 23,420,349	\$ 84,638,699
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts payable and accrued liabilities	\$ 4,682,105	\$ 1,376,944	\$ 958,870	\$ 7,017,919
Unearned revenue	85,184	-	-	85,184
Due to other funds	10,892	-	-	10,892
Payroll accruals and withholdings	16,616,812	-	-	16,616,812
<b>TOTAL LIABILITIES</b>	21,394,993	1,376,944	958,870	23,730,807
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Unavailable revenue - property taxes	1,694,847	-	-	1,694,847
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	1,694,847	-	-	1,694,847
<b>FUND BALANCES:</b>				
Nonspendable	2,649,038	3,500	304,850	2,957,388
Restricted	-	4,841,678	22,156,629	26,998,307
Committed	4,159,909	-	-	4,159,909
Assigned	12,049,894	-	-	12,049,894
Unassigned	13,047,547	-	-	13,047,547
<b>TOTAL FUND BALANCES</b>	31,906,388	4,845,178	22,461,479	59,213,045
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	\$ 54,996,228	\$ 6,222,122	\$ 23,420,349	\$ 84,638,699

The accompanying notes are an integral part of these financial statements.

**WEST CHESTER AREA SCHOOL DISTRICT  
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS  
TO STATEMENT OF NET POSITION  
JUNE 30, 2018**

TOTAL FUND BALANCES FOR GOVERNMENTAL FUNDS \$ 59,213,045

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 the governmental funds. The cost of assets was \$521,751,161, and accumulated depreciation was \$223,354,041. 298,397,120

Some of the District's revenues will be collected after year end but are not available soon enough to pay the current year's expenditures and, therefore, are reported as unavailable revenue - property taxes in the governmental funds. 1,694,847

Governmental funds report deferred amounts on bond refundings as other financing sources. However, these amounts are reported on the statement of net position as deferred outflows of resources and amortized over the life of the refunding debt. 5,581,512

Long-term liabilities applicable to the governmental activities are not due and payable in the current period and, therefore, are not reported in the governmental funds.

Accrued interest	\$ (1,661,431)	
Bonds and notes payable in future years, net	(274,002,382)	
Accumulated compensated absences	(4,955,912)	
Net pension liability	(335,940,000)	
Net OPEB liability	<u>(30,031,236)</u>	(646,590,961)

Deferred inflows and outflows of resources related to the District's net pension and OPEB liabilities are based on the differences between actuarially determined expected and actual investment returns, changes in the actuarially determined proportion of the District's amount of the total pension and OPEB liabilities, differences between actual and expected experience, and pension and OPEB contributions made after the measurement date of the net pension and OPEB liabilities. These amounts will be amortized over the estimated remaining average service life of the employees.

Deferred outflows of resources:		
Deferred outflows - OPEB	2,801,019	
Deferred outflows - pension	55,472,159	
Deferred inflows of resources:		
Deferred inflows - OPEB	(663,000)	
Deferred inflows - pension	<u>(2,393,000)</u>	<u>55,217,178</u>

TOTAL NET DEFICIT OF GOVERNMENTAL ACTIVITIES \$ (226,487,259)

The accompanying notes are an integral part of these financial statements.

**WEST CHESTER AREA SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018**

	General Fund	Capital Projects Fund	Capital Reserve Fund	Totals
<b>REVENUES</b>				
Local sources	\$ 196,014,612	-	\$ 267,190	\$ 196,281,802
State sources	42,747,951	-	-	42,747,951
Federal sources	3,371,711	-	-	3,371,711
<b>TOTAL REVENUES</b>	<u>242,134,274</u>	<u>-</u>	<u>267,190</u>	<u>242,401,464</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	140,801,562	-	2,331,236	143,132,798
Support services	63,217,521	-	898,679	64,116,200
Operation of noninstructional services	5,038,435	-	-	5,038,435
Debt service:				
Principal	14,695,000	-	-	14,695,000
Interest	10,160,902	-	-	10,160,902
Bond issuance costs	-	163,150	-	163,150
Capital outlays	-	9,096,513	2,155,269	11,251,782
<b>TOTAL EXPENDITURES</b>	<u>233,913,420</u>	<u>9,259,663</u>	<u>5,385,184</u>	<u>248,558,267</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>8,220,854</u>	<u>(9,259,663)</u>	<u>(5,117,994)</u>	<u>(6,156,803)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Refund of prior year expenditures	40,726	-	-	40,726
Bonds issued for capital projects	-	9,750,000	-	9,750,000
Transfers in	-	-	5,135,385	5,135,385
Transfers out	(5,135,385)	-	-	(5,135,385)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(5,094,659)</u>	<u>9,750,000</u>	<u>5,135,385</u>	<u>9,790,726</u>
<b>NET CHANGE IN FUND BALANCES</b>	3,126,195	490,337	17,391	3,633,923
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>28,780,193</u>	<u>4,354,841</u>	<u>22,444,088</u>	<u>55,579,122</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 31,906,388</u>	<u>\$ 4,845,178</u>	<u>\$ 22,461,479</u>	<u>\$ 59,213,045</u>

The accompanying notes are an integral part of these financial statements.

**WEST CHESTER AREA SCHOOL DISTRICT  
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 3,633,923

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 capitalized and allocated over their estimated useful lives as depreciation expense. In addition, disposal of assets before they are fully depreciated results in a loss that is not reported in the governmental funds. In the current period, these amounts are:

Capital outlays	\$ 13,085,606	
Depreciation expense	<u>(12,949,549)</u>	136,057

Because some amounts will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. (206,181)

The loss on the disposal of capital assets is not recognized in the funds. (4,313)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 7,707,996

Governmental funds report deferred amounts on bond refundings as other financing sources. However, these amounts are reported on the statement of net position as deferred outflows of resources and amortized over the life of the refunding debt. (988,383)

In the statement of activities, certain operating expenses – compensated absences (vacations and sick leave) and special termination benefits (early retirement) – are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This is the amount by which current period amounts paid exceeded current period compensated absences (203,889)

OPEB expenses in the statement of activities differs from the amount reported in the governmental funds because OPEB expenses are recognized in the statement of activities based on the District's proportionate share of the expenses of the cost-sharing OPEB plan and expenses of the single employer, whereas OPEB expenditures are recognized in the governmental funds when a requirement to remit contributions to the plan exists. 444,686

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and, thus, requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 94,657

Pension expense in the statement of activities differs from the amount reported in the governmental funds because pension expense is recognized in the statement of activities based on the District's proportionate share of the expenses of the cost-sharing pension plan, whereas pension expenditures are recognized in the governmental funds when a requirement to remit contributions to the plan (8,292,141)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 2,322,412

The accompanying notes are an integral part of these financial statements.

**WEST CHESTER AREA SCHOOL DISTRICT  
BUDGETARY COMPARISON STATEMENT - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local sources	\$193,747,045	\$193,747,045	\$196,014,612	\$ 2,267,567
State sources	41,423,546	41,423,546	42,747,951	1,324,405
Federal sources	3,002,892	3,002,892	3,371,711	368,819
<b>TOTAL REVENUES</b>	<u>238,173,483</u>	<u>238,173,483</u>	<u>242,134,274</u>	<u>3,960,791</u>
<b>EXPENDITURES</b>				
Current:				
Instruction				
Regular programs, elementary/secondary	96,938,389	94,397,775	93,676,305	721,470
Special programs, elementary/secondary	36,569,296	40,808,064	40,130,881	677,183
Vocational education programs	6,442,999	6,422,428	6,167,111	255,317
Other instructional programs	791,309	809,216	742,683	66,533
Nonpublic school programs	77,225	84,584	84,582	2
Total Instruction	<u>140,819,218</u>	<u>142,522,067</u>	<u>140,801,562</u>	<u>1,720,505</u>
Support services				
Pupil personnel	9,381,619	9,074,804	8,967,198	107,606
Instructional staff	5,732,247	5,415,575	5,207,701	207,874
Administration	12,005,414	11,582,849	11,215,067	367,782
Pupil health	2,347,515	2,379,117	2,348,603	30,514
Business	1,901,050	1,906,544	1,827,625	78,919
Operation and maintenance of plant services	18,200,558	17,835,875	16,215,303	1,620,572
Student transportation services	13,765,430	13,400,430	13,365,718	34,712
Central	3,751,604	3,659,222	3,456,610	202,612
Other support services	226,988	616,988	613,696	3,292
Total Support Services	<u>67,312,425</u>	<u>65,871,404</u>	<u>63,217,521</u>	<u>2,653,883</u>
Operation of noninstructional services				
Student activities	5,157,559	5,183,484	4,895,452	288,032
Community services	150,100	160,414	142,983	17,431
Total Operation of Noninstructional Services	<u>5,307,659</u>	<u>5,343,898</u>	<u>5,038,435</u>	<u>305,463</u>
Debt service				
Principal, interest, and fiscal agent fees	25,546,771	24,946,771	24,855,902	90,869
<b>TOTAL EXPENDITURES</b>	<u>238,986,073</u>	<u>238,684,140</u>	<u>233,913,420</u>	<u>4,770,720</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(812,590)</u>	<u>(510,657)</u>	<u>8,220,854</u>	<u>8,731,511</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Refund of prior year expenditures	-	-	40,726	40,726
Interfund transfer out	(4,833,452)	(5,135,385)	(5,135,385)	-
<b>TOTAL OTHER FINANCING USES</b>	<u>(4,833,452)</u>	<u>(5,135,385)</u>	<u>(5,094,659)</u>	<u>40,726</u>
<b>NET CHANGE IN FUND BALANCE</b>	(5,646,042)	(5,646,042)	3,126,195	8,772,237
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>28,780,193</u>	<u>28,780,193</u>	<u>28,780,193</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 23,134,151</u>	<u>\$ 23,134,151</u>	<u>\$ 31,906,388</u>	<u>\$ 8,772,237</u>

The accompanying notes are an integral part of these financial statements.

**WEST CHESTER AREA SCHOOL DISTRICT  
STATEMENT OF NET POSITION - PROPRIETARY FUND  
JUNE 30, 2018**

	<u>Food Service Fund</u>
<b>ASSETS</b>	
<b>CURRENT ASSETS:</b>	
Cash and cash equivalents	\$ 62,357
Investments	1,037,811
Due from other governments	130,474
Due from other funds	10,892
Other receivables	16,138
Inventories, donated commodities	22,388
<b>TOTAL CURRENT ASSETS</b>	<u>1,280,060</u>
 <b>CAPITAL ASSETS:</b>	
Furniture and equipment, net	<u>682,070</u>
 <b>TOTAL ASSETS</b>	<u><u>\$ 1,962,130</u></u>
 <b>LIABILITIES AND NET POSITION</b>	
<b>CURRENT LIABILITIES:</b>	
Accounts payable and accrued liabilities	\$ 247,340
Unearned revenue	183,181
<b>TOTAL LIABILITIES</b>	<u>430,521</u>
 <b>NET POSITION:</b>	
Investment in capital assets	682,070
Unrestricted	849,539
<b>TOTAL NET POSITION</b>	<u>1,531,609</u>
 <b>TOTAL LIABILITIES AND NET POSITION</b>	<u><u>\$ 1,962,130</u></u>

The accompanying notes are an integral part of these financial statements.

**WEST CHESTER AREA SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Food Service Fund</u>
OPERATING REVENUES	
Food service revenues	\$ 2,605,888
TOTAL OPERATING REVENUES	<u>2,605,888</u>
OPERATING EXPENSES	
Professional and contract services	3,364,566
Depreciation	101,061
Other operating costs	255
TOTAL OPERATING EXPENSES	<u>3,465,882</u>
OPERATING LOSS	<u>(859,994)</u>
NONOPERATING REVENUES	
State sources	58,514
Federal sources	845,224
Local sources	4,500
Interest income	15,976
TOTAL NONOPERATING REVENUES	<u>924,214</u>
CHANGE IN NET POSITION	64,220
NET POSITION, BEGINNING OF YEAR	<u>1,467,389</u>
NET POSITION, END OF YEAR	<u><u>\$ 1,531,609</u></u>

The accompanying notes are an integral part of these financial statements.

**WEST CHESTER AREA SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Food Service Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Receipts from customers	\$ 2,706,908
Payments to suppliers	<u>(3,151,612)</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u><b>(444,704)</b></u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
State sources	56,599
Federal sources	687,827
Local sources	<u>4,500</u>
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<u><b>748,926</b></u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Purchase of capital assets	<u>(192,778)</u>
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u><b>(192,778)</b></u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Sale of investment securities and deposits to investments pools	(82,100)
Interest income	<u>15,976</u>
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u><b>(66,124)</b></u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	45,320
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>17,037</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><b>\$ 62,357</b></u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:</b>	
Operating loss	\$ (859,994)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	101,061
Commodities usage	131,016
Changes in assets and liabilities:	
Decrease in other receivables	102,886
Increase in due from other funds	(5,959)
Decrease in inventory, donated commodities	3,102
Increase in accounts payable and accrued liabilities	79,091
Increase in unearned revenue	<u>4,093</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u><b>\$ (444,704)</b></u>
<b>SUPPLEMENTAL DISCLOSURE</b>	
<b>NONCASH NONCAPITAL FINANCING ACTIVITY:</b>	
USDA donated commodities	<u><b>\$ 131,016</b></u>

The accompanying notes are an integral part of these financial statements.



**WEST CHESTER AREA SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION - FIDUCIARY FUNDS**  
**JUNE 30, 2018**

	Student Activity Funds	Other Agency Fund	Total Agency Funds	Private- Purpose Trust
<b>ASSETS</b>				
Cash and cash equivalents	\$ 477,796	\$ 36,503	\$ 514,299	\$ 453,435
Other receivables	-	17,955	17,955	-
<b>TOTAL ASSETS</b>	<b>\$ 477,796</b>	<b>\$ 54,458</b>	<b>\$ 532,254</b>	<b>\$ 453,435</b>
<b>LIABILITIES AND NET POSITION</b>				
<b>LIABILITIES:</b>				
Other current liabilities	\$ 477,796	\$ 54,458	\$ 532,254	\$ 9,534
<b>TOTAL LIABILITIES</b>	<b>477,796</b>	<b>54,458</b>	<b>532,254</b>	<b>9,534</b>
<b>NET POSITION:</b>				
Restricted	-	-	-	443,901
<b>TOTAL NET POSITION</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>443,901</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 477,796</b>	<b>\$ 54,458</b>	<b>\$ 532,254</b>	<b>\$ 453,435</b>

The accompanying notes are an integral part of these financial statements.

**WEST CHESTER AREA SCHOOL DISTRICT  
STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUND  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Private- Purpose Trust</u>
ADDITIONS	
Gifts and contributions	<u>\$ 668,425</u>
TOTAL ADDITIONS	<u>668,425</u>
DEDUCTIONS	
Grants	<u>691,085</u>
TOTAL DEDUCTIONS	<u>691,085</u>
CHANGE IN NET POSITION	(22,660)
NET POSITION, BEGINNING OF YEAR	<u>466,561</u>
NET POSITION, END OF YEAR	<u><u>\$ 443,901</u></u>

The accompanying notes are an integral part of these financial statements.

## WEST CHESTER AREA SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The West Chester Area School District's ("the District") financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the District are discussed below.

#### Reporting Entity

The District is governed by an elected Board of Directors. Generally accepted accounting principles require that the financial statements present the District and its component units, entities for which the District is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the District's operations and, therefore, data from these units are required to be combined with data of the primary school district. Each discretely presented component unit, on the other hand, is required to be reported in a separate column in the entity-wide financial statements to emphasize it is legally separate from the District. Based on the application of these principles, there are no component units presented in the District's financial statements.

#### Entity-wide and Fund Financial Statements

The entity-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the 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 services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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 entity-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The entity-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 District considers revenues to be available if they are collected within 60 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, therefore, have been recognized as revenues of the current fiscal period. Only a portion of special assessment receivables 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 District.

The District reports the following major government funds:

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

**Capital Projects Fund** – The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital assets other than those financed by enterprise operations.

**Capital Reserve Fund** – The Capital Reserve Fund is used for funds set aside that are legally restricted to expenditures for specific purposes.

The District reports the following major proprietary fund:

**Food Service Fund** – The Food Service Fund (an enterprise fund) is used to account for the operations of the District's school cafeterias that are financed and operated in a manner similar

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

to a private business enterprise wherein 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.

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

For purposes of the statement 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 District's policy to use restricted resources first, then unrestricted resources as they are needed.

Additionally, the District reports the following fund types:

***Fiduciary Funds*** – Fiduciary funds are used to account for assets held by the 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 results of operations.

Assets, Liabilities, and Net Position or Equity

***Deposits and Investments***

Under Section 440-1 of the Public School Code of 1949, as amended, the 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.

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

- Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation ("FDIC") or the Federal Savings and Loan Insurance Corporation ("FSLIC") 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.

In 2016, permitted investments were expanded to include highly rated commercial paper, bankers' acceptances, and negotiable certificates of deposit.

Investments are reported at fair value, except for repurchase agreements and nonnegotiable certificates of deposit which are reported at cost and external investment pools which are reported at amortized cost. In establishing the fair value of investments, the District uses the following hierarchy. The lowest level of valuation available is used for all investments.

*Level 1* – Valuations based on quoted market prices in active markets for identical assets or liabilities that the entity has the ability to access.

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

*Level 3* – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

***Receivables and Payables***

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is 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 noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the entity-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of any allowance for uncollectibles. There are no allowances at June 30, 2018.

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 - October 31		
Penalty Period	-	November 1 - collection	-	10% of gross levy
Lien Date	-	January 15		

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

***Prepaid Items***

Certain payments to vendors reflect costs applicable to future accounting periods and are reported as prepaid items in both entity-wide and fund financial statements.

***Inventory***

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

***Capital Assets***

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the entity-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost 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 assets 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 are depreciated using the straight-line method over the following estimated useful lives:

Buildings	20 - 40 years
Land improvements	20 years
Furniture and equipment	3 - 20 years

***Compensated Absences***

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The liability for unpaid accumulated sick leave is accounted for in the accrued severance pay. This time is paid out only through severance pay calculations.

District employees who are required to work on a 12-month schedule are credited with vacation at rates which vary with length of service or job classification. Vacation must be taken in the year subsequent to when it was earned. If separation of service occurs in the year subsequent to earning, then the unused balance of the amount 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.

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

***Accrued Severance Pay***

Administrative personnel who have completed at least 12 years of credited District service and retire under normal PSERS guidelines receive severance pay in the form of compensation. Instructional, secretarial, and support personnel who have completed at least 15 years of credited District service and retire under the normal PSERS guidelines receive severance pay in the form of compensation. Administrative personnel receive \$45 - \$80 per day for every day of accumulated sick and personal days at retirement. Instructional personnel receive \$45 - \$80 per day. Secretarial and support personnel receive \$65 per day for every day of accumulated sick and personal days at retirement to a maximum of \$10,000 of compensation. Severance pay generally is liquidated by the General Fund.

***Long-term Obligations***

In the entity-wide financial statements and proprietary 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 netted against outstanding principal balances and amortized over the life of the bonds. Bond issuance costs are expensed when incurred. Deferred amounts on refunding are recorded as deferred inflows or outflows of resources and amortized over the life of the old debt or the life of the new debt, whichever is shorter. All amortized amounts are amortized using the straight-line method.

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 debt service expenditures.

***Deferred Inflows and Outflows of Resources***

In addition to assets and liabilities, the statement of net position includes separate sections for deferred outflows of resources and deferred inflows of resources. These separate financial statement elements represent an addition to or consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) or inflow of resources (revenue) until then. The District has various items that are reported in these categories.

The first deferred outflow of resources is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the



WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

The second deferred outflow of resources relates to certain changes to the net pension and OPEB liabilities which are required to be amortized over a period of years; the unamortized portions of these changes are reflected as deferred outflows of resources in the statement of net position. In the statement of net position, a deferred inflow of resources is recorded for differences related to changes in the net pension and OPEB liabilities which will be amortized over future periods. See Notes 13 and 16 for further analysis of deferred outflows and inflows of resources related to the net pension and OPEB liabilities.

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition with resources that have been received, but not yet earned. At the end of the current fiscal year, deferred inflows of resources reported in the general fund resulted from delinquent property taxes receivable.

***Fund Equity***

Fund balance will be displayed in the following classification (if applicable) depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

*Nonspendable* – that portion of the fund balance that cannot be spent because it is either in a nonspendable form or legally or contractually required to be maintained intact.

*Restricted* – that portion of the fund balance that is constrained to be used for a specific purpose as per an external party or law.

*Committed* – that portion of the balance that is to be used for a specific purpose as per School Board motion. These constraints can be removed or changed by equal level action. Action to constrain resources should occur prior to the fiscal year end. Direction from the School Board can commit specific dollar amounts, percentages, or funds related to a specific activity.

*Assigned* – that portion of the fund balance that is intended to be used for specific purposes. The Property and Finance Committee, the Superintendent, or the Director of Business Affairs may assign amounts for specific purposes.

*Unassigned* – that portion of the fund balance that represents expendable available financial resources. It is the residual after the nonspendable, restricted, committed, and assigned portions are deducted from the total fund balance. A negative unassigned fund balance may be reported in the other governmental funds (not general fund) if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds and, finally, unassigned funds, as needed, unless the School Board, the Property and Finance Committee, the Superintendent, or the Director of Business Affairs has provided otherwise in its commitment or assignment actions.

The District is committed to maintaining a prudent level of financial resources to protect against the needs to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District's minimum fund balance policy requires that the unassigned fund balance equal or exceed five percent of the subsequent year's general fund operating expenditures.

***Net Position***

The entity-wide financial statements report net position in one of three components. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of borrowings attributable to acquiring, constructing, or improving those assets. Net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Those restrictions affect net position arising from the capital projects fund. Unrestricted net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted."

Use of Estimates in the Preparation of Financial Statements

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Implementation of GASB Statement

During the year ended June 30, 2018, the District implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." GASB Statement No. 75 replaces the requirements of GASB Statement No. 45, with the objective of improving the accounting and financial reporting of state and local governments for other postemployment benefits. It requires that state and local governments recognize and record the actuarially determined net other postemployment benefits liability, or, for multi-employer cost sharing plans, the entity's share of the net other postemployment benefits liability, in the entity's financial statements.

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 2 BUDGETARY INFORMATION

Budgets are adopted on a basis consistent with generally accepted accounting principles. An annual appropriated budget is adopted for the general fund. All annual appropriations lapse at fiscal year end. Project-length financial plans are adopted for all capital projects funds.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Director of Business Affairs submits to the School Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public meetings are conducted at the District offices to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of an ordinance.
4. Formal budgetary integration is employed as a management control device during the year for the general fund.
5. Budgeted amounts are as originally adopted, or as amended by the School Board.

NOTE 3 DEPOSITS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The District does not have a policy for custodial credit risk but operates under the provisions of Commonwealth laws (Act 72). At June 30, 2018, the carrying amount of the District's deposits was \$23,017,569, and the bank balance was \$24,648,046. Of the bank balance, \$250,000 was covered by federal depository insurance. The remaining balance was fully collateralized. This collateral was held by the depository's agent on a pooled basis not in the District's name.

NOTE 4 INVESTMENTS

The District purchases money market holdings, certificates of deposit ("CDs"), and government agency securities through Fulton Financial Advisors. The money market is a federal money market fund and maintains a stable net asset value of \$1 per share, is rated by a nationally recognized statistical rating organization, and is subject to an independent annual audit. As

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 4 INVESTMENTS (cont'd)

of June 30, 2018, it was rated AAA by a nationally recognized statistical rating agency. Fulton Financial Advisors is a registered member of the Securities and Exchange Commission and subject to the Commission's oversight. These investments are held by a third party. Investments are in short-term securities in accordance with the District's investment policy and school district code. All agency securities purchased are highly rated by a nationally recognized rating agency. All CDs are purchased at values to stay within the FDIC insurance limits.

The District also invests in the Pennsylvania Local Government Investment Trust ("PLGIT"), the Pennsylvania School District Liquid Asset Fund ("PSDLAF"), and the Pennsylvania Treasurer's Investment Program for Local Governments ("PTIP"). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PLGIT, PSDLAF, and PTIP act like money market mutual funds in that their objective is to maintain a stable net asset value of \$1 per share, are rated by a nationally recognized statistical rating organization, and are subject to an independent annual audit. These external investment pools are considered 2a7-like pools and are recorded at amortized cost. The amortized cost, which approximates fair value of the pool, is determined by the pool's share price. As of June 30, 2018, PLGIT, PSDLAF, and PTIP were rated as AAAM by a nationally recognized statistical rating organization. As of June 30, 2018, the District had \$8,864,730 invested in PLGIT, PSDLAF, and PTIP (\$2,544,422 in the General Fund, \$5,214,169 in the Capital Projects Fund, \$68,328 in the Capital Reserve Fund, and \$1,037,811 in the Food Service Fund.)

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The District has the following recurring fair value measurements as of June 30, 2018:

	Fair Value	Level 1	Level 2	Maturity in Less than One Year	Maturity Greater than One Year
<b>General Fund</b>					
CRIMS - Certificates of deposit	\$14,003,764	\$ -	\$14,003,764	\$14,003,764	\$ -
CRIMS - Money market	379,387	379,387	-	379,387	-
CRIMS - Commercial paper	7,402,368	-	7,402,368	7,402,368	-
<b>Total General Fund</b>	<b>21,785,519</b>	<b>379,387</b>	<b>21,406,132</b>	<b>21,785,519</b>	<b>-</b>
<b>Capital Reserve Fund</b>					
CRIMS - Certificates of deposit	9,087,474	-	9,087,474	7,628,845	1,458,629
CRIMS - Money market	262,896	262,896	-	262,896	-
CRIMS - Commercial paper	8,902,286	-	8,902,286	8,902,286	-
<b>Total Capital Reserve Fund</b>	<b>18,252,656</b>	<b>262,896</b>	<b>17,989,760</b>	<b>16,794,027</b>	<b>1,458,629</b>
<b>TOTALS</b>	<b>\$40,038,175</b>	<b>\$ 642,283</b>	<b>\$39,395,892</b>	<b>\$38,579,546</b>	<b>\$1,458,629</b>

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 5 TAXES RECEIVABLE

Taxes receivable as of year-end for the District, in the aggregate, are as follows:

	<u>General Fund</u>
Real estate taxes	\$ 2,145,412
Transfer taxes	473,885
Earned income taxes	<u>661,370</u>
Total Taxes Receivable	<u>\$ 3,280,667</u>

The District's evaluation of taxes resulted in no allowance for uncollectible accounts.

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, unavailable revenue of \$1,694,847 reported in the governmental funds resulted from delinquent property taxes receivable which was not collected within 60 days of fiscal year end.

NOTE 6 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>GOVERNMENTAL ACTIVITIES</b>					
Capital assets not being depreciated:					
Land	\$ 28,289,916	\$ -	\$ -	\$ -	\$ 28,289,916
Construction-in-progress	10,856,578	11,354,458	-	(6,087,320)	16,123,716
Total Capital Assets Not Being Depreciated	<u>39,146,494</u>	<u>11,354,458</u>	<u>-</u>	<u>(6,087,320)</u>	<u>44,413,632</u>
Capital assets being depreciated:					
Land improvements	16,416,508	-	-	-	16,416,508
Buildings	417,377,413	-	-	4,628,595	422,006,008
Furniture and equipment	36,659,286	1,731,148	934,146	1,458,725	38,915,013
Total Capital Assets Being Depreciated	<u>470,453,207</u>	<u>1,731,148</u>	<u>934,146</u>	<u>6,087,320</u>	<u>477,337,529</u>
Accumulated depreciation for:					
Land improvements	7,373,454	727,585	-	-	8,101,039
Buildings	169,756,529	10,687,213	-	-	180,443,742
Furniture and equipment	34,204,342	1,534,751	929,833	-	34,809,260
Total Accumulated Depreciation	<u>211,334,325</u>	<u>12,949,549</u>	<u>929,833</u>	<u>-</u>	<u>223,354,041</u>
Total Capital Assets Being Depreciated, Net	<u>259,118,882</u>	<u>(11,218,401)</u>	<u>4,313</u>	<u>6,087,320</u>	<u>253,983,488</u>
Governmental Activities, Net	<u>\$298,265,376</u>	<u>\$ 136,057</u>	<u>\$ 4,313</u>	<u>\$ -</u>	<u>\$298,397,120</u>

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 6 CAPITAL ASSETS (cont'd)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>BUSINESS-TYPE ACTIVITIES</b>					
Capital assets:					
Furniture and equipment	\$ 1,232,178	\$ 192,778	\$ -	\$ -	\$ 1,424,956
Total Capital Assets	<u>1,232,178</u>	<u>192,778</u>	<u>-</u>	<u>-</u>	<u>1,424,956</u>
Accumulated depreciation for:					
Furniture and equipment	641,825	101,061	-	-	742,886
Total Accumulated Depreciation	<u>641,825</u>	<u>101,061</u>	<u>-</u>	<u>-</u>	<u>742,886</u>
Business-type Activities					
Capital Assets, Net	<u>\$ 590,353</u>	<u>\$ 91,717</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 682,070</u>

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

Governmental Activities:

Instruction	\$ 8,291,633
Instructional student support	957,201
Administrative and financial support services	1,043,410
Operation and maintenance of plant services	1,591,159
Pupil transportation	774,271
Student activities	283,592
Community services	<u>8,283</u>

Total Depreciation Expense - Governmental Activities \$ 12,949,549

Business-type Activities

Food Service	<u>\$ 101,061</u>
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NOTE 7 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of and for the year ended June 30, 2018 is as follows:

Receivable to	Payable from	Amount
Food Service Fund	General Fund	\$ 10,892
Transfer to	Transfer from	Amount
Capital Reserve Fund	General Fund	<u>\$ 5,135,385</u>
Total		<u>\$ 5,135,385</u>

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 7 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (cont'd)

Interfund receivables and payables as of June 30, 2018 exist as a result of a time lag between dates when goods and services were provided and payments between funds were made. All will be paid within one year. The general fund transfer to the capital reserve for the year ended June 30, 2018 was to set aside funds for future planned capital expenditures.

NOTE 8 LONG-TERM DEBT

The following summarizes the changes in the long-term liabilities of governmental activities for the year ended June 30, 2018:

	Principal Outstanding June 30, 2017	Repayments	Additions	Principal Outstanding June 30, 2018	Due in One Year
General obligation note, Series of 2009	\$ 9,965,000	\$ 5,000	\$ -	\$ 9,960,000	\$ 5,000
General obligation bonds, Refunding Series AA of 2010	16,075,000	1,795,000	-	14,280,000	3,160,000
General obligation bonds, Series A of 2012	21,000,000	-	-	21,000,000	-
General obligation bonds, Series AA of 2012	38,985,000	7,835,000	-	31,150,000	8,295,000
General obligation bonds, Series of 2013	3,285,000	795,000	-	2,490,000	815,000
General obligation bonds, Series of 2014	12,000,000	-	-	12,000,000	-
General obligation bonds, Series A of 2014	26,395,000	5,000	-	26,390,000	5,000
General obligation bonds, Series AA of 2014	57,010,000	270,000	-	56,740,000	280,000
General obligation bonds, Series of 2015	1,290,000	1,290,000	-	-	-
General obligation bonds, Series A of 2015	9,685,000	5,000	-	9,680,000	5,000
General obligation bonds, Series AA of 2015	3,650,000	680,000	-	2,970,000	710,000
General obligation bonds, Series of 2016	13,710,000	1,725,000	-	11,985,000	1,810,000
General obligation bonds, Series A of 2016	32,025,000	5,000	-	32,020,000	5,000
General obligation bonds, Series AA of 2016	8,500,000	5,000	-	8,495,000	5,000
General obligation bonds, Series of 2017	7,495,000	280,000	-	7,215,000	590,000
General obligation bonds, Series A of 2017	-	-	9,750,000	9,750,000	5,000
	<u>261,070,000</u>	<u>14,695,000</u>	<u>9,750,000</u>	<u>256,125,000</u>	<u>15,690,000</u>

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 8 LONG-TERM DEBT (cont'd)

	Principal Outstanding June 30, 2017	Repayments	Additions	Principal Outstanding June 30, 2018	Due in One Year
Deferred amounts: Issuance (discounts) premium, net	<u>20,640,378</u>	<u>2,762,996</u>	-	<u>17,877,382</u>	<u>2,722,234</u>
LONG-TERM DEBT	<u>\$281,710,378</u>	<u>\$17,457,996</u>	<u>\$ 9,750,000</u>	<u>\$274,002,382</u>	<u>\$18,412,234</u>

**General Obligation Bonds**

Refunding Series AA of 2010, original principal amount of \$28,220,000, maturing March 15, 2012 through March 15, 2022, bearing interest ranging from 2.00% to 5.00%, interest payable semi-annually on March 15 and September 15. \$ 14,280,000

Series A of 2012, original principal amount of \$21,000,000, maturing May 15, 2014 through May 15, 2032, bearing interest of 3.00%, interest payable semi-annually on May 15 and November 15. 21,000,000

Refunding Series AA of 2012, original principal amount of \$39,330,000, maturing May 15, 2014 through May 15, 2022, bearing interest ranging from 2.00% to 5.00%, interest payable semi-annually on May 15 and November 15. 31,150,000

Refunding Series of 2013, original principal amount of \$8,215,000, maturing October 1, 2013 through October 1, 2020, bearing interest ranging from 2.00% to 4.00%, interest payable semi-annually on April 1 and October 1. 2,490,000

Series of 2014, original principal amount of \$12,000,000, maturing May 15, 2025 through May 15, 2032, bearing interest ranging from 3.75% to 4.25%, interest payable semi-annually on May 15 and November 15. 12,000,000

Refunding Series A of 2014, original principal amount of \$30,890,000, maturing May 15, 2016 through May 15, 2024, bearing interest ranging from 0.30% to 5.00%, interest payable semi-annually on May 15 and November 15. 26,390,000



WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 8 LONG-TERM DEBT (cont'd)

Refunding Series AA of 2014, original principal amount of \$57,635,000, maturing May 15, 2016 through May 15, 2030, bearing interest ranging from 2.00% to 5.00%, interest payable semi-annually on May 15 and November 15.	56,740,000
Series A of 2015, original principal amount of \$9,690,000, maturing May 15, 2017 through May 15, 2032, bearing interest ranging from 1.30% to 2.80%, interest payable semi-annually on May 15 and November 15.	9,680,000
Refunding Series AA of 2015, original principal amount of \$4,880,000, maturing May 15, 2016 through November 15, 2021, bearing interest ranging from 0.25% to 4.00%, interest payable semi-annually on May 15 and November 15.	2,970,000
Refunding Series of 2016, original principal amount of \$15,300,000, maturing April 15, 2016 through April 15, 2024, bearing interest ranging from 1.50% to 5.00%, interest payable semi-annually on April 15 and October 15.	11,985,000
Refunding Series A of 2016, original principal amount of \$32,030,000, maturing February 15, 2017 through February 15, 2027, bearing interest ranging from 1.35% to 5.00%, interest payable semi-annually on February 15 and August 15.	32,020,000
Series AA of 2016, original principal amount of \$8,500,000, maturing May 15, 2018 through May 15, 2032, bearing interest ranging from 2% to 3%, interest payable semi-annually on May 15 and November 15.	8,495,000
Refunding Series of 2017, original principal amount of \$7,495,000, maturing December 15, 2017 through December 15, 2028, bearing interest ranging from 2% to 2.25%, interest payable semi-annually on June 15 and December 15. The refunding resulted in a cash flow savings of \$324,955 and an economic benefit of \$305,291.	7,215,000
Series A of 2017, original principal amount of \$9,750,000, maturing May 15, 2019 through May 15, 2032, bearing interest ranging from 1.75% to 2.5%, interest payable semi-annually on May 15 and November 15.	<u>9,750,000</u>
TOTAL BONDS	<u>\$ 246,165,000</u>

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 8 LONG-TERM DEBT (cont'd)

**General Obligation Notes**

Series of 2009, original principal amount of \$10,000,000, maturing October 1, 2010 through October 1, 2027, bearing interest at a rate not to exceed 25%. Interest to be paid monthly.

	<u>9,960,000</u>
TOTAL NOTES	<u>9,960,000</u>
TOTAL BONDS AND NOTES	<u>\$ 256,125,000</u>

Payments of long-term debt are expected to be funded by the General Fund.

Presented below is a summary of the bonds and notes debt service requirements to maturity by year:

<u>Year Ending June 30,</u>	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Total Maturities</u>
2019	\$ 15,690,000	\$ 9,863,168	\$ 25,553,168
2020	16,285,000	9,228,598	25,513,598
2021	16,985,000	8,513,628	25,498,628
2022	17,620,000	7,825,873	25,445,873
2023	18,200,000	7,087,147	25,287,147
2024-2028	100,965,000	22,437,696	123,402,696
2029-2032	<u>70,380,000</u>	<u>4,929,798</u>	<u>75,309,798</u>
	<u>\$ 256,125,000</u>	<u>\$ 69,885,908</u>	<u>\$ 326,010,908</u>

NOTE 9 CHANGES IN OTHER LONG-TERM LIABILITIES

Other long-term liabilities in the governmental activities are summarized as follows:

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2018</u>
Accrued compensated absences	\$ 1,786,333	\$ 857,514	\$ (729,611)	\$ 1,914,236
Accrued severance	<u>2,965,690</u>	<u>473,703</u>	<u>(397,717)</u>	<u>3,041,676</u>
Subtotal	4,752,023	1,331,217	(1,127,328)	4,955,912
Net OPEB liability	30,796,187	-	(764,951)	30,031,236
Net pension liability	<u>337,581,000</u>	<u>-</u>	<u>(1,641,000)</u>	<u>335,940,000</u>
Total	<u>\$ 373,129,210</u>	<u>\$ 1,331,217</u>	<u>\$ (3,533,279)</u>	<u>\$ 370,927,148</u>

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 10 CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally, the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

NOTE 11 CONSTRUCTION COMMITMENTS

As of June 30, 2018, the District had construction projects yet to be completed. The commitments and amounts completed to date are as follows:

	<u>Contract Amount</u>	<u>Completed as of June 30, 2018</u>	<u>Commitment</u>
Renovations	<u>\$ 33,154,569</u>	<u>\$ 14,796,160</u>	<u>\$ 18,358,409</u>

In addition, the District has incurred costs totaling \$1,327,556 for project costs that were not under a formal contract as of June 30, 2018.

NOTE 12 RISK MANAGEMENT

The District self-insures workers' compensation through its Insurance Consortium. The District's Insurance Consortium is an association consisting of school districts, intermediate units, and vocational-technical schools of the Commonwealth of Pennsylvania. The District obtained a self-insurance exemption from the Commonwealth of Pennsylvania, Department of Labor and Industry, Bureau of Workers' Compensation, which allows the District to self-insure workers' compensation.

Each year, the District is required to deposit funds into the central fund. The District then is billed monthly for actual claims for the current year paid during the previous month up to the level of retention. After the level of retention is reached, claim payments are made from the central fund. At the end of each fiscal year, reserves are established or adjusted on all outstanding claims. Funds in the central fund at the end of the fiscal year are not refunded. Total claims paid for the year ended June 30, 2018 were \$236,502.

Additionally, the District self-insures group dental, vision, and prescription coverage. The District has accrued a three-month value for potential claims under dental, vision, and prescription coverage. Total claims paid for the year ended June 30, 2018 were \$5,534,344.

There were no significant changes in insurance coverage from the previous year.

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 13 PENSION PLAN

The District contributes to the Public School Employees' Retirement System ("PSERS"), a governmental cost-sharing multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in 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. The PSERS issues a publicly available comprehensive annual financial report that includes the financial statements and required supplementary information for the plan. A copy of this report may be obtained by writing to the Public School Employees' Retirement System, P.O. Box 125, Harrisburg, Pennsylvania 17108-0125, or by visiting the PSERS website at [www.psers.state.pa.us](http://www.psers.state.pa.us).

Benefits Provided

The PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one 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 became 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 three years of service, or attain a total combination and age and service that is equal to or greater than 92, with a minimum of 35 years of service. Benefits are generally equal to two percent or two and one-half percent, depending upon the 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 may be elected. For Class T-E and Class T-F members, the right to benefits is vested after 10 years of service. Benefit terms may be amended by passing bills in the Pennsylvania Senate and House of Representatives and sending them to the Governor for approval.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to two percent or two and one-half percent, depending upon the 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 for

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 13 PENSION PLAN (cont'd)

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

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

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 percent (Membership Class T-C), or at 7.50 percent (Membership Class T-D) of the member's qualifying compensation.

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

Members who joined the system after June 30, 2011 automatically contribute at the Membership Class T-E rate of 7.50 percent (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.30 percent (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 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.50 percent and 9.50 percent, and Membership Class T-F contribution rate to fluctuate between 10.30 percent and 12.30 percent.

The contribution policy is governed by the applicable provisions of the Retirement Code.

Employer Contributions

The District's contractually required annual contribution is based on an actuarially determined amount that, when combined with the 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. For the year ended June 30, 2018, the rate of the employer contribution was 32.57 percent of covered payroll, allocated 31.74 percent to pensions and 0.83 percent to health insurance assistance. The District's contribution to PSERS for the year ended June 30, 2018 was \$30,069,798, of which \$29,303,512 was related to pension contributions and \$766,286 was related to health insurance premium assistance.

The contribution policy is governed by the applicable provisions of the Retirement Code.

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 13 PENSION PLAN (cont'd)

Pension Liability and Expense, and Deferred Outflows and Inflows of Resources

At June 30, 2018, the District reported a liability of \$335,940,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016 to June 30, 2017. 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, 2017, the District's proportion was 0.6802 percent, which was an increase of 0.0010 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$37,595,652. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ 7,784,000	\$ 363,000
Changes in assumptions	9,126,000	
Changes in proportions	4,560,000	-
Difference between employer contributions and proportionate share of total contributions	1,193,647	-
Contributions subsequent to the date of measurement	29,303,512	-
Difference between expected and actual experience	<u>3,505,000</u>	<u>2,030,000</u>
	<u>\$ 55,472,159</u>	<u>\$ 2,393,000</u>

Deferred outflows of resources in the amount of \$29,303,512 resulted from the District's contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts will be reported as deferred outflows and resources and deferred inflows of resources related to pensions and will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	
2019	\$ 7,296,652
2020	11,153,427
2021	6,438,899
2022	<u>(1,113,331)</u>
	<u>\$ 23,775,647</u>

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 13 PENSION PLAN (cont'd)

Actuarial Assumptions

The total pension liability as of June 30, 2017 was determined by rolling forward the system's total pension liability as of the June 30, 2016 actuarial valuation to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry age normal, level percentage of pay.
- Investment return – 7.25 percent, including inflation of 2.75 percent.
- Salary increases – Effective average of 5.00 percent, which reflects an allowance for inflation of 2.75 percent, and 2.25 percent for real wage growth and for merit or seniority increases.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- Experience rates were based on a study from July 1, 2010 through June 30, 2015.

The long-term expected rate of return on pension plan investments was determined using the 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 PSERS Board of Directors. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

A schedule of plan investments by asset class, target allocations, and long-term expected real rate of return is as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global public equity	20.0%	5.1%
Fixed income	36.0%	2.6%
Commodities	8.0%	3.0%
Absolute return	10.0%	3.4%
Risk parity	10.0%	3.8%
MLPs/infrastructure	8.0%	4.8%
Real estate	10.0%	3.6%

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 13 PENSION PLAN (cont'd)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Alternative investments	15.0%	6.2%
Cash	3.0%	0.6%
Financing (LIBOR)	(20.0%)	1.1%
	<u>100.0%</u>	

The above was the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2017.

Discount Rate

The discount used to measure the total pension liability was 7.25 percent. 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 which are 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 7.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate.

	<u>1% Decrease 6.25%</u>	<u>Current Rate Discount Rate 7.25%</u>	<u>1% Increase 8.25%</u>
District's proportionate share of the net pension liability	\$ 413,513,000	\$ 335,940,000	\$ 270,446,000

Pension Plan Fiduciary Net Position

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



WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 14 POST-EMPLOYMENT HEALTHCARE PLAN

Plan Description

The District administers a single employer defined benefit healthcare plan to eligible retirees and their spouses. The District has four bargaining units which participate in this plan: the West Chester Education Support Personnel, the Service Support personnel, the teachers, and the administrators. In addition, the non-bargaining staff members participate in the plan. Members of the Education Support personnel and the Service Support personnel who were at least 50 years old as of July 1, 2012 and had 20 years of service receive a health reimbursement account of \$2,000 per year towards single employer health benefit coverage for a maximum of four years. Teachers hired before July 1, 2003 that reach age 50 with 15 years of service in the District are eligible to receive single plan post-retirement benefits at the same level as current employees. Teachers hired before July 1, 2003 are eligible to receive a health reimbursement account of \$20,000 towards single employer health benefit coverage. Administrators that reach age 50 with 12 years of service receive benefits for administrator and spouse for 10 years or until Medicare eligible. Administrators receiving this benefit are required to cost-share for administrator coverage at a rate equal to the higher of the maximum reimbursement provided by PSERS (currently \$100 per month) or active employee contribution and 50 percent of the cost of the spousal coverage cost. Non-bargaining employees receive the same coverage as administrators with no spousal coverage. The employee must retire from service to receive the post-employee benefits and not work for another school district.

The health insurance plan is a single employer, defined-benefit OPEB plan. The medical, prescription drug, dental, and vision benefits are self-insured. Only the PC-65 product is fully insured. The medical benefits are administered through Blue Cross and the prescription drug benefits through Caremark. Separate financial statements are not issued for the plan. The term life insurance is purchased from Cigna; the Universal Life coverage is purchased from Genworth Financial.

Participants

As of June 30, 2018, the Plan had 1,667 participants, consisting of 1,376 active participants, zero vested former participants, and 291 retired participants.

Funding Policy

The contribution requirements of plan members are established and may be amended by the Board of School Directors. The District has no assets accumulated in a trust or equivalent arrangement for the purpose of administering the OPEB plan. The required contribution is based on projected pay-as-you-go financing requirements, with any additional amount to prefund as determined annually by the Board of School Directors. For fiscal year 2018, the District paid \$1,539,717 to plan members eligible for receiving benefits.

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 14 POST-EMPLOYMENT HEALTHCARE PLAN (cont'd)

Actuarial Assumptions and Other Inputs

The total OPEB liability was measured as of July 1, 2017. The total OPEB liability as of July 1, 2017 was determined by rolling forward the system's total OPEB liability as of the July 1, 2016 actuarial valuation to the July 1, 2017 measurement date using the actuarial assumptions noted below.

Discount Rate

The discount rate was 3.13 percent based on the S&P Municipal Bond 20-year High Grade Rate Index at July 1, 2017, and increase from the prior measurement date (2.49 percent).

Withdrawal

Rates of withdrawal vary by age, gender, and years of service. Sample rates for employees with more than 10 years of service are shown below. Rates for new employees start at 22.9 percent for both men and women and decrease with age and service.

<u>Age</u>	<u>Male Rate</u>	<u>Female Rate</u>	<u>Age</u>	<u>Male Rate</u>	<u>Female Rate</u>
25	2.5700%	5.0200%	45	1.3700%	1.6500%
30	2.5700%	4.0200%	50	1.9200%	2.0600%
35	1.5000%	2.8500%	55	3.3800%	3.1100%
40	1.3400%	1.6000%	60	5.5700%	6.4000%

Mortality

Separate rates are assumed preretirement and postretirement using the RP-2014 Mortality Tables for Males and Females.

Incorporated into the table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.

Disability

No disability was assumed.

Retirement

Assumed retirement rates are based on PSERS plan experience and vary by age, service, and gender.

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 14 POST-EMPLOYMENT HEALTHCARE PLAN (cont'd)

<u>Age</u>	<u>Age 55 and 25 Years of Service</u>		<u>Superannuation</u>	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
55	19%	19%	27%	10%
56	17%	17%	32%	30%
57	17%	17%	32%	30%
58	17%	17%	32%	35%
59	22%	21%	31%	36%
60	14%	17%	31%	36%
61	29%	30%	29%	31%
62	51%	61%	51%	61%
63	26%	26%	26%	26%
64	21%	22%	21%	22%
65	100%	100%	100%	100%

Salary

An assumption for salary increases is used only for spreading contributions over future pay under the entry age normal cost method. For this purpose, salary increases are composed of 2.5 percent cost of living adjustment, 1.0 percent real wage growth, and for teachers and administrators, a merit increase which varies by age from 0.00 to 2.75 percent.

Percent of Eligible Retirees Electing Coverage in Plan

One hundred percent of employees eligible for a HRA account are assumed to elect it. Ninety percent of employees eligible for subsidized coverage, fifty percent of teachers and twenty-five percent of all other employees only eligible for self-paid coverage are assumed to elect coverage. One hundred percent of administrators and forty percent of all other employees are assumed to elect group life insurance.

Percent Married at Retirement

Ninety percent of administrators and fifteen percent of all other employees are assumed to be married and have a spouse covered by the plan at retirement. Non-spouse dependents are deemed to be immaterial.

Spouse Age

Wives are assumed to be two years younger than their husbands.

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 14 POST-EMPLOYMENT HEALTHCARE PLAN (cont'd)

Per Capita Claims Cost

The per capita claims cost for medical and prescription drug is based on the expected portion of the group's overall cost attributed to individuals in the specified age and gender brackets.

Dental and vision costs are assumed to not vary with age or gender. The resulting costs are as follows:

<u>Age</u>	<u>Medical and Prescription Drug Combined</u>	
	<u>Male</u>	<u>Female</u>
45 - 49	\$ 7,691	\$ 11,108
50 - 54	\$ 10,186	\$ 12,554
55 - 59	\$ 12,406	\$ 13,137
60 - 64	\$ 16,190	\$ 15,090
65+	\$ 9,065	\$ 9,065

Life Insurance

It is assumed that the annual cost to provide life insurance varies by age and gender. The assumed cost is equal to the amount of coverage times the applicable mortality factor contained in the valuation mortality table. Retiree contributions are \$0.095 per month per \$1,000 of coverage and are assumed to not increase.

Retiree Contributions

Retiree contributions are assumed to increase at the same rate as the healthcare cost trend rate.

Healthcare Cost Trend Rate

The healthcare cost trend rate was 6.0 percent in 2017 and 5.5 percent in 2018 through 2023. Rates gradually decrease from 5.4 percent in 2024 to 3.9 percent in 2075 and after based on the Society of Actuaries Long-Run Medical Cost Trend Model.

Actuarial Value of Assets

The actuarial value of assets is equal to the market value of assets.

Actuarial Cost Method – Entry Age Normal

Under the entry age normal cost method, the normal cost is the present value of benefits allocated to the year following the valuation date. Benefits are allocated on a level basis over

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 14 POST-EMPLOYMENT HEALTHCARE PLAN (cont'd)

the earnings of an individual between the date of hire and the assumed retirement age. The accrued liability as of the valuation date is the excess of the present value of future benefits over the present value of future normal cost. The unfunded accrued liability is the excess of the accrued liability over the actuarial value of assets. Actuarial gains and losses serve to reduce or increase the unfunded accrued liability.

Participant Data

Participant data is based on census information as of December 2016. Due to the timing of District turnover, the data is believed to be representative of the population for the 2016-2017 school year.

Sensitivity Analysis

The following presents the net OPEB liability, calculated using the valuation discount rate, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

	1% Decrease <u>2.13%</u>	Current Rate Discount Rate <u>3.13%</u>	1% Increase <u>4.13%</u>
Total OPEB liability	\$ 17,174,099	\$ 16,173,236	\$ 15,254,577
Fiduciary net position	<u>-</u>	<u>-</u>	<u>-</u>
Net OPEB liability	<u>\$ 17,174,099</u>	<u>\$ 16,173,236</u>	<u>\$ 15,254,577</u>

The following presents the net OPEB liability, calculated using the valuation healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one percentage point lower each year or one percentage point higher each year than the current rate.

	1% Decrease <u>        </u>	Current Rate Discount Rate <u>        </u>	1% Increase <u>        </u>
Total OPEB liability	\$ 14,648,319	\$ 16,173,236	\$17,965,138
Fiduciary net position	<u>-</u>	<u>-</u>	<u>-</u>
Net OPEB liability	<u>\$ 14,648,319</u>	<u>\$ 16,173,236</u>	<u>\$ 17,965,138</u>

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 14 POST-EMPLOYMENT HEALTHCARE PLAN (cont'd)

Changes in Total OPEB Liability

Total OPEB liability as of July 1, 2016	\$ 16,123,187
Service cost	836,027
Interest on OPEB obligation	399,221
Effect of assumption changes or inputs	524,653
Benefit payments	<u>(1,709,852)</u>
Total OPEB liability as of July 1, 2017	<u>\$ 16,173,236</u>

The amount of OPEB expense for the single employer plan recognized by the District was \$1,282,944 for the year ended June 30, 2018. An amount of \$1,539,717 is reported as deferred outflows of resources resulting from the District's contributions subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. At June 30, 2018, the District reported deferred outflows of resources relating to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>
Change in assumptions	\$ 476,957
Benefit payment subsequent to the July 1, 2017 measurement date	<u>1,539,717</u>
Total	<u>\$ 2,016,674</u>

Change in Assumptions: The discount rate changed from 2.49 percent to 3.13 percent.

Deferred outflows of resources due to the change in assumptions will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	
2019	\$ 47,696
2020	47,696
2021	47,696
2022	47,696
2023	47,696
Thereafter	<u>238,477</u>
	<u>\$ 476,957</u>

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 15 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN

Health Insurance Premium Assistance Program

The PSERS provides Premium Assistance, which is a governmental cost sharing, multiple-employer other postemployment benefits plan ("OPEB") for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the health insurance account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002, under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive Premium Assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive Premium Assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2017, there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

Retirees of the system can participate in the Premium Assistance program if they satisfy the following criteria:

- Have 24½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program.

OPEB Plan Description

The District contributes to the Public School Employees' Retirement System ("PSERS"), a governmental cost-sharing multiple-employer defined benefit OPEB plan that provides postemployment benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the PSERS plan 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. The PSERS issues a publicly available comprehensive annual financial report that includes the financial statements and required supplementary information for the plan. A copy of this report may be obtained by writing to the Public School Employees' Retirement System, P.O. Box 125, Harrisburg, Pennsylvania, 17108-0125, or by visiting the PSERS website at [www.psers.state.pa.us](http://www.psers.state.pa.us).

Benefits Provided

Participating eligible retirees are entitled to receive Premium Assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive Premium Assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2017, there were no

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 15 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

assumed future benefit increases to participating eligible retirees. Benefit terms may be amended by passing bills in the Pennsylvania Senate and House of Representatives and sending them to the Governor for approval.

Employer Contributions

The Districts' contractually required contribution rate for the fiscal year ended June 30, 2018 was 0.83 percent of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$766,286 for the year ended June 30, 2018.

The contribution policy is governed by the applicable provisions of the Retirement Code.

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

At June 30, 2018, the District reported a liability of \$13,858,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the system's total OPEB liability as of June 30, 2016 to June 30, 2017. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2017, the District's proportion was 0.6802 percent, which was a decrease of 0.0010 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized OPEB expense of \$578,373. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources relating to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ 15,000	\$ -
Change in proportionate share of the net pension liability	-	18,000
Change in assumptions	-	645,000
Difference between employer contributions and proportionate share of total contributions	3,059	-
Contributions subsequent to the date of measurement	766,286	-
	<u>\$ 784,345</u>	<u>\$ 663,000</u>



WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 15 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

Change in Assumptions: For current active employees who terminate employment and become eligible for coverage under the plan, it is assumed 50 percent of members will receive coverage prior to age 65 and 70 percent will receive coverage after age 65. Previously, coverage was assumed at 63 percent for all such employees, regardless of age.

An amount of \$766,286 is reported as deferred outflows of resources resulting from the District's contributions subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts will be reported as deferred outflows of resources and deferred inflows of resources relating to OPEB and will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	
2019	\$ (106,490)
2020	(106,490)
2021	(106,490)
2022	(106,490)
2023	(110,490)
Thereafter	<u>(108,491)</u>
	<u>\$ (644,941)</u>

Actuarial Assumptions

The total OPEB liability as of June 30, 2017 was determined by rolling forward the system's total OPEB liability as of June 30, 2016 actuarial valuation to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level percent of pay
- Investment return - 3.13 percent - S&P 20-year Municipal Bond Rate
- Salary growth - Effective average of 5.00 percent, comprised of inflation of 2.75 percent and 2.25 percent for real wage growth and for merit or seniority increases
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed healthcare cost trends were applied to retirees with less than \$1,200 in Premium Assistance per year.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- Experience rates were based on a study from July 1, 2010 through June 30, 2015.
- Participation rate:
  - Eligible retirees will elect to participate pre-age 65 at 50 percent
  - Eligible retirees will elect to participate post-age 65 at 70 percent

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 15 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2015 determined the employer contribution rate for fiscal year 2017.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date
- Asset valuation method: Market value
- Participation rate: 63 percent of eligible retirees are assumed to elect Premium Assistance.
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back three years for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back seven years for males and three years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back three years for both genders assuming the population consists of 25 percent males and 75 percent females is used to determine actuarial equivalent benefits.)

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real of Return</u>
Cash	76.4%	0.6%
Fixed Income	23.6%	1.5%
	<u>100.0%</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, 2017.

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 15 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

Discount Rate

The discount rate used to measure the total OPEB liability was 3.13 percent. Under the plan's funding policy, contributions are structured for short-term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments; therefore, the plan is considered a "pay-as-you-go" plan. A discount rate of 3.13 percent, which represents the S&P 20-year Municipal Bond Rate at June 30, 2017, was applied to all projected benefit payments to measure the total OPEB liability.

Sensitivity of the System's Net OPEB Liability to Change in Healthcare Cost Trend Rates

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2017, retirees' Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2016, 91,797 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2016, 1,354 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on healthcare cost trends as depicted below.

The following presents the system's net OPEB liability for June 30, 2017, calculated using current healthcare cost trends, as well as what the system's net OPEB liability would be if its healthcare cost trends were one percentage point lower or one percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	\$ 13,855,000	\$ 13,858,000	\$ 13,861,000

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

The following presents the net OPEB liability, calculated using the discount rate of 3.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.13 percent) or one percentage-point higher (4.13 percent) than the current rate:

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 16 NET OPEB LIABILITY AND DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

	1% Decrease 2.13%	Current Discount Rate 3.13%	1% Increase 4.13%
District's proportionate share of the net OPEB liability	\$ 15,753,000	\$ 13,858,000	\$ 12,284,000

OPEB Plan Fiduciary Net Position

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

The District's aggregate net OPEB liability and deferred inflows and outflows of resources are as follows:

	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources
District Plan (See Note 14)	\$ 16,173,236	\$ 2,016,674	\$ -
PSERS Plan (See Note 15)	13,858,000	784,345	663,000
Total	<u>\$ 30,031,236</u>	<u>\$ 2,801,019</u>	<u>\$ 663,000</u>

NOTE 17 FUND BALANCES

As of June 30, 2018, fund balances are composed of the following:

	General Fund	Capital Projects Fund	Capital Reserve Fund	Total Governmental Funds
Nonspendable:				
Prepaid expenditures	\$ 2,649,038	\$ 3,500	\$ 304,850	\$ 2,957,388
Restricted:				
Capital projects	-	4,841,678	22,156,629	26,998,307
Committed:				
Healthcare	4,159,909	-	-	4,159,909
Assigned:				
Tax stabilization	11,304,138	-	-	11,304,138
Alternative Education	676,000	-	-	676,000
Athletic activities	69,756	-	-	69,756
Unassigned	13,047,547	-	-	13,047,547
Total Fund Balances	<u>\$ 31,906,388</u>	<u>\$ 4,845,178</u>	<u>\$ 22,461,479</u>	<u>\$ 59,213,045</u>

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 18 ON-BEHALF PAYMENTS FOR FRINGE BENEFITS

The District recognizes as revenue and expenses contributions made by the Commonwealth of Pennsylvania to be used for District employees' social security and pension contributions. On-behalf payments to the District totaled \$3,337,493 and \$15,078,332 for social security and retirement contributions, respectively. These contributions are recorded in the General Fund as revenue and expenditures.

NOTE 19 DEFICIT NET POSITION

For governmental activities, the unrestricted net deficit amount of \$278,924,988 includes the effect of deferring the recognition of pension and OPEB contributions made subsequent to the measurement date of the net pension and OPEB liabilities, the unamortized portion of contributions made in excess of the District's share of its proportionate contributions to its pension and OPEB plans, the differences between projected and actual investment earnings, and the deferred outflows resulting from the change in the District's share of the net pension and OPEB liabilities. This is offset by the District's actuarially determined net pension and OPEB liabilities and the deferred inflow resulting from the difference between actual and expected experience.

NOTE 20 PRIOR PERIOD ADJUSTMENTS

The District has decreased its July 1, 2017 net position in the governmental activities by \$27,668,648 due to the effects of implementing GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." The District recorded a beginning net OPEB liability of \$30,796,187 and a deferred outflow of resources of \$2,458,283. The previously reported \$669,256 OPEB obligation liability as of June 30, 2017 is no longer recognized due to the change in accounting principle.

NOTE 21 SUBSEQUENT EVENTS

On November 5, 2018 the District issued \$9,990,000 of General Obligation Bonds, Series of 2018 for the purpose of funding new capital projects.

The District has evaluated all subsequent events through December 17, 2018, the date the financial statements were available to be issued.

# WEST CHESTER AREA SCHOOL DISTRICT

## *REQUIRED SUPPLEMENTARY INFORMATION*



**WEST CHESTER AREA SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -**  
**Pennsylvania Public Schools Employees' Retirement System (PSERS)**

	MEASUREMENT DATE		
	<u>JUNE 30, 2017</u>	<u>JUNE 30, 2016</u>	<u>JUNE 30, 2015</u>
District's proportion of the net pension liability	0.6802%	0.6812%	0.6766%
District's proportion of the net pension liability - dollar value	\$ 335,940,000	\$ 337,581,000	\$ 293,071,000
District's covered employee payroll	\$ 90,557,920	\$ 88,217,090	\$ 87,061,277
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	370.97%	382.67%	336.63%
Plan fiduciary net position as a percentage of the total pension liability	51.84%	50.14%	54.36%
			57.24%
			313.77%
			\$ 262,381,000
			\$ 83,621,635

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**WEST CHESTER AREA SCHOOL DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS -  
 Pennsylvania Public Schools Employees' Retirement System (PSERS)**

	<u>JUNE 30, 2018</u>	<u>JUNE 30, 2017</u>	<u>JUNE 30, 2016</u>	<u>JUNE 30, 2015</u>
Contractually required contribution	\$ 29,303,512	\$ 26,330,342	\$ 22,053,155	\$ 17,854,136
Contributions in relation to the contractually required contribution	<u>29,303,512</u>	<u>26,330,342</u>	<u>22,053,155</u>	<u>17,854,136</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 92,323,604	\$ 90,557,920	\$ 88,217,090	\$ 87,061,277
Contributions as a percentage of covered-employee payroll	31.74%	29.08%	25.00%	20.51%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.



**WEST CHESTER AREA SCHOOL DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY -  
 Pennsylvania Public Schools Employees' Retirement System (PSERS)**

	MEASUREMENT DATE <u>JUNE 30, 2017</u>
District's proportion of the net OPEB liability	0.6802%
District's proportion of the net OPEB liability - dollar value	\$ 13,858,000
District's covered employee payroll	\$ 90,557,920
District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	15.30%
Plan fiduciary net position as a percentage of the total OPEB liability	5.73%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**WEST CHESTER AREA SCHOOL DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS -  
 Pennsylvania Public Schools Employees' Retirement System (PSERS)**

	JUNE 30, 2018
Contractually required contribution	\$ 766,286
Contributions in relation to the contractually required contribution	766,286
Contribution excess	\$ -
District's covered employee payroll	\$ 92,323,604
Contributions as a percentage of covered-employee payroll	0.83%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**WEST CHESTER AREA SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY -  
SINGLE EMPLOYER PLAN**

	<u>MEASUREMENT DATE</u> <u>JULY 1, 2017</u>
TOTAL OPEB LIABILITY	
Service cost	\$ 836,027
Interest on total OPEB liability	399,221
Effect of assumption changes or inputs	524,653
Benefit payments	<u>(1,709,852)</u>
NET CHANGE IN TOTAL OPEB LIABILITY	50,049
TOTAL OPEB LIABILITY, BEGINNING OF YEAR	<u>16,123,187</u>
TOTAL OPEB LIABILITY, END OF YEAR	<u><u>\$ 16,173,236</u></u>
<u>PLAN FIDUCIARY NET POSITION</u>	
PLAN FIDUCIARY NET POSITION, BEGINNING OF YEAR	<u>\$ -</u>
PLAN FIDUCIARY NET POSITION, END OF YEAR	<u><u>\$ -</u></u>
DISTRICT'S NET OPEB LIABILITY	<u><u>\$ 16,173,236</u></u>
Plan fiduciary net position as a percentage of total OPEB liability	0.00%
Covered employee payroll	\$ 86,476,720
District's net OPEB liability as a percentage of covered payroll	18.70%
Expected average remaining service years of all participants	10

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**WEST CHESTER AREA SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS - SINGLE EMPLOYER PLAN**

Year	Actuarial Determined Contribution	Contributions from Employer	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Payroll
2018	\$ 1,539,717	\$ 1,539,717	\$ -	\$ 86,476,720	1.78%

**Notes to Schedule:**

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

*Valuation Date:* July 1, 2016

*Methods and Assumptions Used to Determine Contribution Rates:*

Actuarial cost method	Entry age
Asset valuation method	Market value
Discount rate	3.13%
Healthcare trend rates	5.5% in 2018 through 2023. Reducing in steps to 3.9% in 2075 and later

Schedule of changes in benefit terms  
The discount rate was changed from 2.49% to 3.13%. The trend assumption was updated. Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERs assumptions.

# WEST CHESTER AREA SCHOOL DISTRICT

## *SUPPLEMENTARY INFORMATION*



**WEST CHESTER AREA SCHOOL DISTRICT  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS**

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
<b>AGENCY FUND - FUND 40</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 50,676	\$ 277,244	\$ 291,417	\$ 36,503
Accounts receivable	22,246	-	4,291	17,955
<b>TOTAL ASSETS</b>	<b>\$ 72,922</b>	<b>\$ 277,244</b>	<b>\$ 295,708</b>	<b>\$ 54,458</b>
<b>LIABILITIES AND NET POSITION</b>				
<b>LIABILITIES:</b>				
Other current liabilities	\$ 72,922	\$ 277,244	\$ 295,708	\$ 54,458
<b>TOTAL LIABILITIES</b>	<b>72,922</b>	<b>277,244</b>	<b>295,708</b>	<b>54,458</b>
<b>NET POSITION:</b>				
Restricted	-	-	-	-
<b>TOTAL NET POSITION</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 72,922</b>	<b>\$ 277,244</b>	<b>\$ 295,708</b>	<b>\$ 54,458</b>
 <b>STUDENT ACTIVITY FUND - FUND 50</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 457,140	\$ 666,657	\$ 646,001	\$ 477,796
<b>TOTAL ASSETS</b>	<b>\$ 457,140</b>	<b>\$ 666,657</b>	<b>\$ 646,001</b>	<b>\$ 477,796</b>
<b>LIABILITIES AND NET POSITION</b>				
<b>LIABILITIES:</b>				
Other current liabilities	\$ 457,140	\$ 666,657	\$ 646,001	\$ 477,796
<b>TOTAL LIABILITIES</b>	<b>457,140</b>	<b>666,657</b>	<b>646,001</b>	<b>477,796</b>
<b>NET POSITION:</b>				
Restricted	-	-	-	-
<b>TOTAL NET POSITION</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 457,140</b>	<b>\$ 666,657</b>	<b>\$ 646,001</b>	<b>\$ 477,796</b>
 <b>TOTAL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 507,816	\$ 943,901	\$ 937,418	\$ 514,299
Accounts receivable	22,246	-	4,291	17,955
<b>TOTAL ASSETS</b>	<b>\$ 530,062</b>	<b>\$ 943,901</b>	<b>\$ 941,709</b>	<b>\$ 532,254</b>
<b>LIABILITIES AND NET POSITION</b>				
<b>LIABILITIES:</b>				
Other current liabilities	\$ 530,062	\$ 943,901	\$ 941,709	\$ 532,254
<b>TOTAL LIABILITIES</b>	<b>530,062</b>	<b>943,901</b>	<b>941,709</b>	<b>532,254</b>
<b>NET POSITION:</b>				
Restricted	-	-	-	-
<b>TOTAL NET POSITION</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 530,062</b>	<b>\$ 943,901</b>	<b>\$ 941,709</b>	<b>\$ 532,254</b>

# WEST CHESTER AREA SCHOOL DISTRICT

## STATISTICAL SECTION



## STATISTICAL SECTION

The Statistical Section of the West Chester Area School District's Comprehensive Annual Financial Report ("CAFR") presents other detailed information to allow the reader a better understanding of the Government's overall financial health in conjunction with the information in the financial statements, note disclosures, and required supplementary information.

Contents	Pages
Financial Trends .....	80-86
<i>These schedules contain selected information from current and previous years' financial statements to allow users to assess financial trends.</i>	
Revenue Capacity.....	87-92
<i>These schedules contain information useful in assessing the District's ability to raise own source revenue.</i>	
Debt Capacity.....	93-96
<i>These schedules contain information useful in assessing the District's ability to afford the existing debt as well as the District's ability to issue new debt.</i>	
Demographic and Economic Information .....	97-99
<i>These schedules contain information about the socio-economic environment within which the District's financial activities take place.</i>	
Operating Information .....	100-104
<i>These schedules contain information about the size of the District's workforce, the services it provides in relation to other service providers in the area and District's facilities.</i>	



# WEST CHESTER AREA SCHOOL DISTRICT

## FINANCIAL TRENDS



**WEST CHESTER AREA SCHOOL DISTRICT**  
**Net Position by Component Unit (Full Accrual Method of Accounting)**

Fiscal Year Ending June 30,	2009	2010	2011	2012	2013	2014	2015 *	2016 *	2017 *	2018 *
<b>Governmental Activities</b>										
Net investment in capital assets	9,418,873	8,903,159	7,083,089	8,057,190	5,876,233	7,710,407	20,989,220	11,063,839	23,124,893	29,976,250
Restricted: Capital Projects	13,811,178	14,641,919	14,506,078	14,329,759	15,646,701	17,672,551	22,203,300	27,440,218	22,444,089	22,461,479
Unrestricted (deficit)	8,050,934	4,014,353	15,606,135	21,770,088	30,867,282	34,101,596	(234,457,232)	(235,432,024)	(274,378,653)	(278,924,988)
<b>Net Position Governmental Activities</b>	<b>31,280,985</b>	<b>27,559,431</b>	<b>37,195,302</b>	<b>44,157,037</b>	<b>52,390,216</b>	<b>59,484,554</b>	<b>(191,264,712)</b>	<b>(196,927,967)</b>	<b>(228,809,671)</b>	<b>(226,487,259)</b>
<b>Business-type Activities</b>										
Net investment in capital assets	129,768	82,865	184,236	171,996	169,778	224,324	297,638	402,386	590,353	682,070
Unrestricted	997,558	92,273	1,017,896	1,155,906	1,179,940	1,088,267	1,110,539	1,042,569	877,036	849,539
<b>Net Position Business-type Activities</b>	<b>1,127,326</b>	<b>175,138</b>	<b>1,202,132</b>	<b>1,327,902</b>	<b>1,349,718</b>	<b>1,312,591</b>	<b>1,408,177</b>	<b>1,444,955</b>	<b>1,467,389</b>	<b>1,531,609</b>
<b>Total Primary Government</b>										
Net investment in capital assets	9,548,641	8,986,024	7,267,325	8,229,186	6,046,011	7,934,731	21,286,858	11,466,225	23,715,246	30,658,320
Restricted: Capital Projects	13,811,178	14,641,919	14,506,078	14,329,759	15,646,701	17,672,551	22,203,300	27,440,218	22,444,089	22,461,479
Unrestricted	9,048,492	4,106,626	16,624,031	22,925,994	32,047,222	35,189,863	(233,346,693)	(234,389,455)	(273,501,617)	(278,075,449)
<b>Net Position Primary Government</b>	<b>32,408,311</b>	<b>27,734,569</b>	<b>38,397,434</b>	<b>45,484,939</b>	<b>53,739,934</b>	<b>60,797,145</b>	<b>(189,856,535)</b>	<b>(195,483,012)</b>	<b>(227,342,282)</b>	<b>(224,955,650)</b>

\* Note: Starting in 2014-15, the District booked their share of the PSERS multiple employer pension plan liability to comply with GASB 67/68.

\* Note: Starting in 2017-18, the District booked their net OPEB liabilities to comply with GASB 75. 2017 data was restated.

Source: District Audited Financial Statements

**WEST CHESTER AREA SCHOOL DISTRICT**  
**Changes in Net Position (Full Accrual Method of Accounting)**

Fiscal Year Ending June 30,	2009	2010	2011	2012	2013	2014	2015 *	2016 *	2017 *	2018 *
<b>EXPENSES</b>										
Governmental Activities										
Instruction	103,973,612	113,066,220	117,972,385	119,941,565	121,882,872	121,627,033	133,218,154	144,772,158	155,262,037	156,086,694
Instructional Student Support	13,634,029	15,022,492	15,740,734	14,597,033	14,429,547	15,311,671	16,718,808	17,710,876	18,519,607	18,314,954
Administrative and Financial Support Services	14,390,496	14,429,452	13,956,105	14,211,207	14,417,208	15,643,360	17,552,768	18,127,334	19,342,370	19,943,338
Operation and Maintenance of Plant Services	16,604,260	19,486,401	17,729,991	15,529,375	16,984,316	18,309,057	17,447,190	17,439,654	18,039,504	17,457,046
Pupil Transportation	13,219,823	13,674,801	13,469,612	13,365,853	13,208,001	13,420,543	13,850,307	14,042,517	14,429,271	14,133,742
Student Activities	4,145,743	4,237,269	4,055,872	4,095,132	4,147,431	4,377,690	4,855,516	5,132,865	5,214,620	5,367,392
Community Services	122,164	125,654	127,041	115,730	145,929	116,354	140,742	142,350	171,227	151,336
Interest on Long-term Debt	13,361,141	13,636,798	12,076,323	11,156,020	9,722,107	10,397,433	8,566,732	8,945,807	8,679,619	8,454,762
Unallocated Depreciation Expense	12,484,452	-	-	-	9,722,107	10,397,433	8,566,732	8,945,807	8,679,619	-
Total Governmental Activities	191,935,720	193,681,087	195,128,063	193,011,915	194,937,411	199,203,141	212,350,217	226,313,561	239,658,255	239,909,284
Business-type Activities										
Food Service	3,171,794	3,149,556	3,224,517	3,313,442	3,390,811	3,493,078	3,182,033	3,229,852	3,294,375	3,465,882
<b>TOTAL PRIMARY GOVERNMENT ACTIVITIES</b>	<b>195,107,514</b>	<b>196,830,643</b>	<b>198,352,580</b>	<b>196,325,357</b>	<b>198,328,222</b>	<b>202,696,219</b>	<b>215,532,250</b>	<b>229,543,413</b>	<b>242,952,630</b>	<b>243,375,166</b>
PROGRAM REVENUE										
Governmental Activities										
Charges for Service										
Instruction	430,893	516,690	759,951	846,715	726,912	437,675	362,760	542,986	280,006	205,288
Operation and Maintenance of Plant Services	32,844	36,933	199,984	220,596	298,044	332,728	347,233	402,308	509,869	481,072
Student Activities	118,783	120,723	119,438	123,369	413,737	419,389	423,407	430,050	437,573	515,614
Operating Grants and Contributions	22,035,332	22,493,608	22,377,251	22,238,269	23,107,309	23,727,227	26,309,774	27,743,196	32,894,525	34,373,891
Total Governmental Program Revenue	22,617,852	23,169,954	23,456,624	23,428,949	24,546,002	24,917,019	27,443,174	29,118,540	34,121,973	35,575,865
Business-type Activities										
Charges for Services	2,704,187	2,624,830	2,511,962	2,604,560	2,549,584	2,549,726	2,335,418	2,293,122	2,493,463	2,605,888
Operating Grants and Contributions	600,091	663,190	786,659	832,383	861,272	904,898	940,701	973,508	823,346	908,238
Total Business-type Program Revenues	3,304,278	3,288,020	3,298,621	3,436,943	3,410,856	3,454,624	3,276,119	3,266,630	3,316,809	3,514,126
<b>TOTAL PRIMARY GOVERNMENT REVENUES</b>	<b>25,922,130</b>	<b>26,457,974</b>	<b>26,755,245</b>	<b>26,865,892</b>	<b>27,956,858</b>	<b>28,371,643</b>	<b>30,719,293</b>	<b>32,385,170</b>	<b>37,438,782</b>	<b>39,089,991</b>
NET REVENUES (EXPENSES)										
Governmental Activities	(169,317,868)	(170,511,133)	(171,671,439)	(169,582,966)	(170,391,409)	(174,286,122)	(184,907,043)	(197,195,021)	(205,536,282)	(204,333,419)
Business-type Activities	132,484	138,464	74,104	123,501	20,045	(38,454)	94,086	36,778	22,434	48,244
<b>TOTAL PRIMARY GOVERNMENT NET REVENUES</b>	<b>(169,185,384)</b>	<b>(170,372,669)</b>	<b>(171,597,335)</b>	<b>(169,459,465)</b>	<b>(170,371,364)</b>	<b>(174,324,576)</b>	<b>(184,812,957)</b>	<b>(197,158,243)</b>	<b>(205,513,848)</b>	<b>(204,285,175)</b>
GENERAL REVENUES										
Property Taxes, Levied for General Purpose	132,999,091	141,802,111	145,008,645	144,010,689	147,198,156	147,270,504	151,649,702	155,710,300	161,164,936	166,944,204
Taxes Levied for Specific Purpose	19,619,521	19,373,245	19,764,970	21,581,847	22,388,938	23,154,723	23,565,368	24,321,396	27,524,533	26,082,351
Grants, Entitlements, and Contributions	12,382,310	12,479,116	12,573,663	10,654,228	10,472,277	10,652,411	10,859,971	10,928,639	11,552,814	11,745,770
Not Restricted to Specific Programs	2,459,306	429,007	135,772	196,339	155,424	137,174	258,288	392,047	889,980	1,685,449
Investment Earnings	-	-	-	9,929	5,300	20,608	70,058	-	9,572	(4,313)
Gain on Sale of Asset	44,093	152,932	103,408	93,938	496,037	146,367	132,287	179,384	181,391	218,346
Other	167,504,321	174,236,411	177,586,458	176,546,970	180,716,132	181,381,787	186,535,674	191,531,766	201,323,226	206,671,807
<b>Total General Revenues</b>	<b>167,504,321</b>	<b>174,236,411</b>	<b>177,586,458</b>	<b>176,546,970</b>	<b>180,716,132</b>	<b>181,381,787</b>	<b>186,535,674</b>	<b>191,531,766</b>	<b>201,323,226</b>	<b>206,671,807</b>
<b>Change in Net Position</b>	<b>(1,661,063)</b>	<b>3,863,742</b>	<b>5,989,123</b>	<b>7,087,505</b>	<b>10,344,768</b>	<b>7,057,211</b>	<b>1,722,717</b>	<b>(5,626,477)</b>	<b>(4,190,622)</b>	<b>2,386,632</b>

\* Note: Beginning in 2014-15, the District booked their share of the PERS multiple employer pension plan liability to comply with GASB 67/6

\* Note: Starting in 2017-18, the District booked their net OPEB liabilities to comply with GASB 75. 2017 data was restated

Source: District Audited Financial Statements

**WEST CHESTER AREA SCHOOL DISTRICT**  
**Fund Balance - Governmental Funds (Modified Accrual Method of Accounting)**

Fiscal Year Ending June 30,	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Unreserved - Designed for PSERS	-	1,200,000	-	-	-	-	-	-	-	-
Unreserved - Undesignated	7,861,943	10,795,399	-	-	-	-	-	-	-	-
*Non-Spendable	-	-	-	1,277,682	1,918,300	3,482,456	4,128,770	2,066,625	2,688,371	2,649,038
*Restricted	-	-	-	1,892,658	1,894,735	-	-	-	-	-
*Committed	-	-	-	-	-	-	-	-	-	-
Pension	-	-	1,200,000	3,700,000	5,000,000	4,500,000	2,117,000	2,117,000	1,117,000	-
Healthcare	-	-	1,558,100	2,677,700	4,171,100	4,856,190	4,899,442	4,159,909	4,159,909	4,159,909
*Assigned	-	-	95,549	124,160	102,739	119,782	115,700	89,487	79,324	69,756
Gate Receipts	-	-	-	-	-	-	-	-	500,000	676,000
Alternative Education	-	-	-	3,349,200	6,830,500	5,951,300	5,646,426	5,471,005	7,227,366	11,304,138
Tax Stabilization	-	-	15,609,035	12,354,604	12,454,515	14,441,344	14,758,221	14,856,952	13,008,223	13,047,547
*Unassigned	-	-	-	-	-	-	-	-	-	-
<b>Total General Fund Fund Balance</b>	<b>7,861,943</b>	<b>11,995,399</b>	<b>18,462,684</b>	<b>25,376,004</b>	<b>32,371,889</b>	<b>33,351,072</b>	<b>31,665,559</b>	<b>28,760,978</b>	<b>28,780,193</b>	<b>31,906,388</b>
All other funds										
Reserved - Capital Projects Fund										
* Note: Starting in 2017-18, the District booked their net OPEB liabilities to comply with GASB 75. 2017 data was restated.										
Reserved - Capital Reserve Fund	6,965,394	8,316,802	-	-	-	-	-	-	-	-
Reserved - Capital Reserve Fund	14,641,919	13,811,178	-	-	-	-	-	-	-	-
Unreserved - Non-Major Funds	49,596	75,606	-	-	-	-	-	-	-	-
*Non-Spendable - Capital Projects Fund	-	-	-	-	-	-	-	-	-	3,500
*Non-Spendable - Capital Reserve Fund	-	-	-	-	-	-	-	-	-	304,850
*Restricted - Capital Projects Fund	-	-	5,838,643	793,496	7,119,899	8,376,597	-	4,038,838	4,354,841	4,841,678
*Restricted - Capital Reserve Fund	-	-	14,506,078	14,329,759	15,646,701	17,672,551	22,203,300	27,440,218	22,444,088	22,156,629
*Assigned - Capital Projects Fund	-	-	94,700	-	-	-	-	-	-	-
*Unassigned - Capital Projects Fund	-	-	-	-	-	-	(3,451,176)	-	-	-
<b>Total Other Funds</b>	<b>21,656,909</b>	<b>22,203,586</b>	<b>20,439,421</b>	<b>15,123,255</b>	<b>22,766,600</b>	<b>26,049,148</b>	<b>18,752,124</b>	<b>31,479,056</b>	<b>26,798,929</b>	<b>27,306,657</b>
<b>TOTAL FUND BALANCE</b>	<b>29,518,852</b>	<b>34,198,985</b>	<b>38,902,105</b>	<b>40,499,259</b>	<b>55,138,489</b>	<b>59,400,220</b>	<b>50,417,683</b>	<b>60,240,034</b>	<b>55,579,122</b>	<b>59,213,045</b>

\* Note: In 2010-11, the District changed their fund balance designations to comply with GASB 54.

Source: Districts Audited Financial Statements

**WEST CHESTER AREA SCHOOL DISTRICT**  
**Change in Fund Balance - Governmental Funds (Modified Accrual Method of Accounting)**

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
<b>Governmental Fund Revenue</b>										
Local Source	156,866,132	163,508,932	165,091,475	167,600,895	171,550,034	172,123,685	176,877,190	182,144,526	191,077,358	196,281,802
State Source	29,959,702	28,990,224	28,254,872	28,615,828	29,530,022	31,717,857	34,209,926	35,806,499	41,156,644	42,747,951
Federal Source	3,130,016	4,604,950	6,866,476	4,271,701	4,048,275	2,661,783	2,959,820	2,865,335	3,290,697	3,371,711
<b>Total Governmental Revenues</b>	<b>189,955,850</b>	<b>197,104,106</b>	<b>200,212,823</b>	<b>200,488,424</b>	<b>205,128,331</b>	<b>206,503,325</b>	<b>214,046,936</b>	<b>220,816,360</b>	<b>235,524,699</b>	<b>242,401,464</b>
<b>Governmental Expenditures</b>										
Instruction	104,030,587	105,860,030	109,936,321	110,622,632	114,302,116	117,342,618	124,056,139	132,490,382	139,655,181	143,132,798
Support Services	58,954,157	58,754,657	56,682,210	54,893,514	56,041,159	57,581,176	59,939,165	61,755,726	63,322,354	64,116,200
Noninstructional Services	4,135,962	4,062,167	3,998,182	4,050,198	4,159,666	4,237,967	4,610,182	4,803,105	4,865,617	5,038,435
Facilities Acquisition Construction and Improvement	13,434,065	9,175,433	3,979,389	5,725,834	15,543,569	11,335,852	13,509,139	8,309,294	16,627,237	11,251,782
Debt Service Principal	11,216,000	12,533,569	9,394,000	12,194,000	11,137,000	12,602,000	11,620,000	8,176,000	14,160,000	14,695,000
Debt Service Interest	13,232,428	12,419,770	12,886,339	11,591,540	10,759,024	11,051,792	9,543,869	10,174,433	9,925,387	10,160,902
Bond Issuance Costs	-	-	-	-	-	-	56,166	464,253	327,788	163,150
<b>Total Governmental Expenditures</b>	<b>205,003,199</b>	<b>202,605,626</b>	<b>196,876,441</b>	<b>199,077,718</b>	<b>211,942,534</b>	<b>214,151,405</b>	<b>223,334,660</b>	<b>226,173,193</b>	<b>248,883,564</b>	<b>248,556,267</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(15,047,349)</b>	<b>(5,701,520)</b>	<b>3,336,382</b>	<b>1,410,706</b>	<b>(6,814,203)</b>	<b>(7,648,080)</b>	<b>(9,287,724)</b>	<b>(5,356,833)</b>	<b>(13,358,865)</b>	<b>(6,156,803)</b>
<b>Governmental Other Financing Sources</b>										
Proceeds from Long-term Debt	10,710,364	32,691,410	35,730,000	9,585,000	68,545,000	42,890,000	65,485,000	61,900,000	15,995,000	9,750,000
Interfund Transfers In	-	1,340,022	2,676,801	1,500,000	3,806,560	4,599,268	8,645,910	9,125,784	6,205,679	5,135,385
Other Financing Sources (Uses)	(10,648,480)	5,057	2,966,845	76,310	8,888,471	4,519,556	5,861,632	8,300,311	97,083	-
Debt Service Refunded	-	(22,310,000)	(37,330,000)	(9,484,197)	(56,196,858)	(35,443,421)	(71,069,921)	(60,135,702)	(7,438,378)	-
Sale of Assets	-	-	-	9,929	5,300	26,540	94,983	5,077,718	9,572	-
Refund of Prior Year Revenues	(79,218)	(4,813)	(107)	(36,146)	-	(97,744)	(82,898)	-	-	-
Refund of Prior Year Expenditures	-	-	(107)	35,552	411,520	14,880	16,391	36,857	34,676	40,726
Interfund transfers Out	(1,340,022)	(1,340,022)	(2,676,801)	(1,500,000)	(3,806,560)	(4,599,268)	(8,645,910)	(9,125,784)	(6,205,679)	(5,135,385)
<b>Total Governmental Other Financing Sources</b>	<b>(17,334)</b>	<b>10,381,654</b>	<b>1,366,738</b>	<b>186,448</b>	<b>21,453,433</b>	<b>11,909,811</b>	<b>305,187</b>	<b>15,179,184</b>	<b>8,697,953</b>	<b>9,790,726</b>
<b>NET CHANGE IN GOVERNMENTAL FUND BALANCE</b>	<b>(15,064,683)</b>	<b>4,680,134</b>	<b>4,703,120</b>	<b>1,597,154</b>	<b>14,639,230</b>	<b>4,261,731</b>	<b>(8,982,537)</b>	<b>9,822,351</b>	<b>(4,660,912)</b>	<b>3,633,923</b>
GOVMTL FUND BALANCE, BEGINNING OF YEAR	44,583,534	29,518,851	34,198,985	38,902,105	40,499,259	55,138,489	59,400,220	50,417,683	60,240,034	55,579,122
<b>GOVERNMENTAL FUND BALANCE, END OF YEAR</b>	<b>29,518,851</b>	<b>34,198,985</b>	<b>38,902,105</b>	<b>40,499,259</b>	<b>55,138,489</b>	<b>59,400,220</b>	<b>50,417,683</b>	<b>60,240,034</b>	<b>55,579,122</b>	<b>59,213,045</b>
Debt Service as % of Expenditures	11.9%	12.3%	11.3%	11.9%	10.3%	11.0%	9.5%	8.3%	9.8%	10.1%

Source: District's Audited Financial Statements

**WEST CHESTER AREA SCHOOL DISTRICT**  
**GENERAL FUND REVENUES BY SOURCE - MODIFIED ACCRUAL METHOD OF ACCOUNTING (unaudited)**  
 (Thousands)

	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
<b>Local</b>	<b>154,578.4</b>	<b>161,942.4</b>	<b>165,072.4</b>	<b>167,580.4</b>	<b>171,524.8</b>	<b>172,073.7</b>	<b>176,800.8</b>	<b>182,121.6</b>	<b>190,954.0</b>	<b>196,055.3</b>
Real Estate	129,795.3	138,331.6	141,220.9	140,718.6	143,413.1	143,904.6	148,403.7	152,710.0	157,685.1	164,235.5
Current	128,291.6	136,999.8	140,160.5	139,648.0	141,839.9	143,225.1	147,447.7	151,929.0	156,989.6	163,169.6
Interim	1,503.6	1,331.8	1,060.4	1,070.6	1,573.2	679.5	956.0	780.9	695.5	1,065.9
Earned Income	16,764.4	16,458.0	17,080.7	18,095.8	18,691.5	19,460.5	19,360.0	20,118.5	21,336.5	21,421.8
Real Estate Transfer	2,666.5	2,706.8	2,466.0	3,260.7	3,473.6	3,724.7	4,145.2	4,207.4	6,115.0	4,983.5
Other Taxes PURTA	188.6	208.4	218.3	225.3	223.8	210.8	214.7	198.3	196.7	183.3
Delinquent Taxes	2,944.9	3,316.2	2,805.7	3,816.1	4,069.9	3,365.9	3,246.0	3,000.3	3,479.8	2,708.7
Investment Earnings	1,674.8	288.0	118.4	173.6	129.8	71.0	165.5	332.2	731.9	1,402.3
Gate Receipts	-	-	119.4	123.4	122.9	130.7	136.3	152.9	160.6	150.9
Other	544.0	633.4	1,043.0	1,166.8	1,400.2	1,205.5	1,129.4	1,401.8	1,248.3	1,269.4
<b>State</b>	<b>30,058.0</b>	<b>28,990.2</b>	<b>28,254.9</b>	<b>28,615.9</b>	<b>29,520.4</b>	<b>31,717.8</b>	<b>34,209.9</b>	<b>35,806.5</b>	<b>41,156.6</b>	<b>42,748.0</b>
Student Subsidies	24,768.9	23,568.9	22,424.6	21,754.7	21,204.2	21,371.8	21,729.3	21,234.5	24,125.8	24,332.1
Basic Instruction	7,050.1	6,334.1	6,029.5	7,050.1	7,047.0	7,247.3	7,239.7	7,573.2	8,012.2	8,202.4
Special Education	5,087.5	5,068.4	5,080.8	5,146.9	5,355.9	5,311.1	5,413.4	5,801.6	5,902.9	6,454.1
Tuition Private Home Placement	87.4	50.6	-	17.6	121.7	113.9	111.5	179.4	236.2	191.4
Transportation	4,828.3	4,565.1	4,434.4	4,295.1	3,710.0	3,750.5	3,637.2	3,671.8	3,674.1	3,736.8
Medical, Dental and Nurse	295.6	288.7	273.8	273.9	261.5	256.8	222.3	253.9	256.4	250.3
Rent	1,519.5	1,544.7	1,074.7	1,224.8	1,151.2	1,160.4	1,181.7	-	2,104.1	1,554.5
Charter Schools	1,641.1	1,558.4	1,478.9	-	-	-	-	-	-	-
Ready To Learn Block Grants / Accountability Grants	343.8	343.8	322.4	126.6	126.7	126.7	303.2	399.1	399.1	399.1
Property Tax Relief	3,592.8	3,734.6	3,708.3	3,604.0	3,425.3	3,405.1	3,620.3	3,355.4	3,540.6	3,543.4
Other	322.7	80.5	21.9	15.7	4.9	-	-	-	-	-
Teacher Subsidies	5,289.1	5,421.3	5,830.2	6,861.2	8,316.2	10,346.1	12,480.7	14,572.0	17,030.9	18,415.8
Social Security	3,232.9	3,278.1	3,319.2	3,173.0	3,084.5	3,148.8	3,163.7	3,194.0	3,450.6	3,337.5
Retirement	2,056.1	2,143.2	2,511.1	3,688.2	5,231.7	7,197.3	9,317.0	11,378.0	13,580.3	15,078.3
<b>Federal</b>	<b>4,438.9</b>	<b>5,901.2</b>	<b>6,866.5</b>	<b>4,121.7</b>	<b>4,059.2</b>	<b>2,661.8</b>	<b>2,959.8</b>	<b>2,865.3</b>	<b>3,290.7</b>	<b>3,371.7</b>
Title I	1,492.4	2,013.5	1,675.2	1,341.4	1,752.2	459.6	818.0	828.9	1,013.2	867.6
Title II	327.8	182.4	416.8	311.2	249.0	199.4	293.9	374.0	384.1	247.2
Basic Education ARRA Funds	-	852.0	834.0	-	-	-	-	-	-	-
IDEA - ARRA funds	418.0	669.0	820.7	-	-	-	-	-	-	-
Ed Jobs - ARRA	-	-	494.1	7.3	0.4	-	-	-	-	-
Title I - ARRA	-	-	471.8	249.3	-	-	-	-	-	-
IDEA	1,308.9	1,296.3	1,235.6	1,310.3	1,282.4	1,154.7	1,215.8	1,199.7	1,333.6	1,318.1
MA Direct Services/Time Study	760.3	722.4	768.6	773.4	659.4	722.7	516.0	305.5	467.1	803.0
Other	131.5	165.6	149.6	128.8	115.8	125.5	116.0	157.2	92.7	135.8
<b>Local Taxes and Subsidies</b>	<b>189,075.3</b>	<b>196,833.8</b>	<b>200,193.7</b>	<b>200,318.0</b>	<b>205,104.4</b>	<b>206,453.4</b>	<b>213,970.5</b>	<b>220,793.4</b>	<b>235,401.3</b>	<b>242,175.0</b>

Source: District Budget Control Forecast Model

**WEST CHESTER AREA SCHOOL DISTRICT**  
**GENERAL FUND EXPENDITURES BY TYPE - MODIFIED ACCRUAL METHOD OF ACCOUNTING (unaudited)**  
**(Thousands)**

	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
<b>Staff</b>	<b>117,168.2</b>	<b>118,858.8</b>	<b>121,408.2</b>	<b>119,821.3</b>	<b>122,215.9</b>	<b>128,483.3</b>	<b>134,876.4</b>	<b>141,123.7</b>	<b>145,153.0</b>	<b>149,824.5</b>
<b>Total Salaries</b>	<b>87,892.4</b>	<b>89,094.4</b>	<b>90,677.4</b>	<b>85,915.5</b>	<b>84,930.4</b>	<b>86,263.3</b>	<b>87,846.4</b>	<b>88,923.5</b>	<b>91,156.6</b>	<b>93,554.7</b>
<b>Administration</b>										
Regular Salaries	7,402.0	7,449.8	7,028.5	6,903.0	7,328.4	7,337.7	7,644.7	8,027.5	8,029.5	8,235.3
<b>Teachers</b>										
Regular Salaries	61,097.6	62,620.9	64,228.0	61,569.9	60,035.7	60,830.1	61,479.2	61,938.5	64,701.3	66,792.4
Extra Duty Payments	1,118.7	899.6	843.2	840.2	992.6	1,007.6	1,059.6	1,161.3	950.6	979.6
Sabbatical Payments	103.9	129.9	168.7	88.4	179.1	35.2	125.0	304.5	209.9	181.9
Subject Chair Payments	437.5	429.0	420.8	389.4	348.5	346.7	365.9	365.4	363.7	355.5
Severance Payments	245.0	288.8	356.2	158.5	144.4	380.6	209.1	142.1	79.9	353.1
Supplemental Contracts	2,124.6	2,040.0	2,014.2	1,938.0	1,899.8	1,948.3	2,028.1	2,051.4	2,017.0	2,019.0
<b>Total Teachers</b>	<b>65,127.2</b>	<b>66,408.3</b>	<b>68,031.1</b>	<b>64,984.4</b>	<b>63,600.1</b>	<b>64,548.5</b>	<b>65,267.0</b>	<b>65,963.1</b>	<b>68,322.4</b>	<b>70,681.6</b>
<b>Technical</b>										
Regular Salaries	2,765.7	2,732.6	3,087.5	2,842.4	2,928.1	3,022.6	3,502.0	3,679.7	3,694.7	3,569.3
<b>Office Clerical</b>										
Regular Salaries	6,629.3	6,531.6	6,665.1	6,068.4	5,860.8	5,932.0	6,179.8	6,058.3	5,983.9	5,745.7
<b>Crafts and Trades</b>										
Regular Salaries	5,968.2	5,972.0	5,865.2	5,117.3	5,213.0	5,422.6	5,252.9	5,194.9	5,126.1	5,322.9
<b>Benefits</b>										
Medical	13,941.8	14,400.0	14,425.3	15,607.6	16,558.1	17,768.2	17,621.6	18,953.6	17,331.7	16,627.9
Dental	1,559.6	1,418.4	1,339.6	1,306.8	1,236.8	1,108.5	1,180.2	1,259.4	1,103.1	1,184.1
Vision	167.6	153.2	140.7	140.4	168.0	113.1	195.9	176.7	180.6	178.1
Prescription	3,223.6	3,333.9	3,611.3	4,100.2	4,037.1	4,060.6	5,593.9	5,041.2	4,694.0	4,476.0
Social Security	6,535.8	6,603.7	6,667.0	6,369.0	6,239.8	6,322.0	6,387.7	6,451.4	6,609.1	6,733.9
Retirement	4,111.3	4,231.4	5,067.7	7,345.7	10,373.6	14,359.6	18,603.4	22,726.1	27,068.7	30,058.2
Tuition Reimbursement	977.5	1,301.5	1,113.7	728.0	733.3	610.0	360.4	196.9	442.4	443.2
Life and Disability	538.9	417.1	683.0	397.0	263.1	307.0	417.8	321.1	331.1	361.6
Wkrs Comp/Unempl/Other	911.1	708.8	649.6	720.5	654.3	800.6	823.2	1,461.8	1,307.1	1,344.7
<b>Total Benefits</b>	<b>31,967.2</b>	<b>32,567.9</b>	<b>33,697.9</b>	<b>36,715.2</b>	<b>40,264.1</b>	<b>45,449.6</b>	<b>51,184.0</b>	<b>56,588.2</b>	<b>59,068.0</b>	<b>61,407.8</b>
(Less) cost sharing	(2,691.4)	(2,803.6)	(2,967.1)	(2,809.4)	(2,978.7)	(3,229.5)	(4,154.0)	(4,387.9)	(5,071.6)	(5,138.0)
<b>Net Benefits</b>	<b>29,275.8</b>	<b>29,764.4</b>	<b>30,730.8</b>	<b>33,905.8</b>	<b>37,285.4</b>	<b>42,220.0</b>	<b>47,030.0</b>	<b>52,200.2</b>	<b>53,996.4</b>	<b>56,269.8</b>
<b>Prof. and Tech. Services</b>	<b>12,146.9</b>	<b>11,585.0</b>	<b>12,080.2</b>	<b>11,987.6</b>	<b>13,149.7</b>	<b>13,396.4</b>	<b>14,064.2</b>	<b>16,811.9</b>	<b>18,965.1</b>	<b>18,183.6</b>
Substitute Service	1,668.6	1,466.8	1,457.5	1,500.1	1,447.7	1,350.9	1,365.9	1,926.4	1,933.7	2,034.1
Contracted Therapeutic Staff	1,031.9	857.8	758.3	620.8	666.7	860.2	1,299.2	1,571.8	1,736.1	1,850.3
Contracted Aides- Special Ed.	326.3	442.5	358.5	679.2	831.6	1,123.4	1,138.8	1,496.2	2,213.6	2,194.2
Contracted Aides- Other	-	-	-	-	-	-	-	-	126.7	392.3
CCIU - Special Ed Programs	2,538.9	3,099.7	3,072.8	3,235.6	3,208.9	3,455.2	3,249.5	3,603.2	3,887.2	3,787.5
Occupation/Physical Therapy	984.9	925.1	919.7	975.0	1,087.4	1,004.4	982.0	1,060.0	1,156.0	1,178.4
Due Process Hearings	586.9	475.5	882.8	694.8	738.2	603.3	496.1	948.7	1,344.1	823.3
Early Intervention	366.4	369.0	255.0	263.1	353.7	260.5	276.5	365.8	348.7	242.5
Extended School Year	497.7	620.4	626.0	447.2	564.7	573.1	502.4	735.9	669.5	695.2
Alternative Ed - Special Ed	1,077.3	1,027.4	1,241.9	949.2	1,378.6	1,212.5	1,412.1	1,585.5	2,044.2	1,744.3
Alternative Education - Reg	329.9	191.3	258.9	410.1	419.4	426.5	745.9	727.5	797.2	830.4
Tax Collection	513.0	557.0	508.9	535.9	627.7	669.7	646.0	672.8	725.4	624.8
Legal	410.9	279.9	326.8	308.4	416.2	441.0	365.2	354.2	396.4	311.8
Other	1,814.2	1,272.6	1,413.1	1,368.2	1,408.9	1,415.8	1,584.6	1,763.9	1,586.1	1,474.4
<b>Purchased Property Services</b>	<b>4,570.1</b>	<b>4,306.0</b>	<b>3,909.9</b>	<b>3,535.9</b>	<b>3,616.2</b>	<b>3,365.5</b>	<b>3,299.2</b>	<b>3,447.5</b>	<b>4,002.5</b>	<b>3,675.1</b>
Electricity	2,740.3	2,538.2	2,247.6	1,875.7	1,983.2	1,696.4	1,544.9	1,621.8	1,787.6	1,671.6
Water/Sewer	427.2	421.2	486.6	473.7	511.6	505.4	521.0	502.9	534.1	517.0
Trash Removal	148.2	122.1	122.1	122.0	91.8	95.2	89.8	85.8	90.9	81.7
Office Rental	101.6	96.9	123.1	121.3	123.9	103.3	134.5	137.6	164.0	185.1
Other	1,152.8	1,127.6	930.5	943.2	905.7	965.1	1,009.0	1,099.3	1,425.8	1,219.7

**WEST CHESTER AREA SCHOOL DISTRICT**  
**GENERAL FUND EXPENDITURES BY TYPE - MODIFIED ACCRUAL METHOD OF ACCOUNTING (unaudited)**  
(Thousands)

	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
(continued)										
<b>Other Services</b>	<b>25,095.4</b>	<b>25,253.3</b>	<b>25,938.2</b>	<b>26,532.5</b>	<b>27,473.0</b>	<b>26,284.5</b>	<b>27,466.0</b>	<b>29,050.4</b>	<b>30,952.7</b>	<b>30,751.7</b>
Charter Schools	5,905.0	6,461.8	6,558.3	7,069.2	8,031.7	8,114.0	8,079.9	9,455.1	9,818.8	9,574.3
Tuition: Special Education	2,472.5	2,132.0	2,418.5	2,645.8	2,548.0	2,376.4	2,651.9	2,462.8	3,530.1	3,674.9
Tuition: CAT	1,199.5	1,382.1	1,637.5	1,683.4	1,658.3	1,828.8	2,262.4	2,597.2	2,722.4	2,755.7
Tuition: Other	104.6	102.8	248.2	443.4	419.5	200.7	152.5	130.7	96.0	172.3
Bussing: Public Schools	4,750.8	4,628.8	4,861.9	4,470.0	4,519.8	4,413.3	4,637.8	4,905.4	4,898.1	4,700.3
Bussing: Non-Public	4,983.6	4,594.4	4,655.3	4,465.9	4,395.9	4,530.5	4,358.6	4,424.3	4,422.4	4,409.5
Bussing: Special Ed	3,153.5	3,213.8	3,089.7	3,579.6	3,570.3	3,370.2	3,675.5	3,495.5	3,848.1	3,855.9
Bussing: Extracurricular	384.9	281.4	333.5	274.3	291.1	284.6	325.5	316.3	327.4	318.0
Insurance	464.0	461.4	394.2	381.8	416.9	478.5	462.6	492.8	501.6	497.4
Telephone/Postage	643.0	375.3	448.7	497.1	462.1	390.2	501.0	489.4	492.5	517.2
Other Services - <b>Glen Mills</b>	614.1	1,263.0	1,026.8	714.3	866.0	-	-	-	-	-
Other	419.9	356.5	265.7	307.7	293.4	297.3	358.3	280.9	295.4	276.2
<b>Supplies</b>	<b>6,630.3</b>	<b>5,689.8</b>	<b>4,711.7</b>	<b>4,708.2</b>	<b>4,758.0</b>	<b>4,724.8</b>	<b>5,066.2</b>	<b>4,717.5</b>	<b>4,797.8</b>	<b>5,393.6</b>
Heating Fuel	1,788.1	1,097.4	1,123.8	780.8	695.0	978.8	876.5	620.2	605.3	646.7
Other Operations/Maint Supplies	789.5	807.8	603.2	670.3	735.4	777.4	648.7	652.5	714.6	696.2
Educational	2,160.2	2,149.7	1,843.8	2,295.0	2,078.2	1,651.5	1,881.1	1,925.2	1,828.6	1,870.3
Curriculum Proposals	1,373.4	850.7	622.3	455.0	793.5	885.1	1,230.0	1,123.3	881.4	1,123.1
Educational/Admin Software	314.6	610.2	347.1	410.3	356.9	327.0	409.9	394.3	680.8	1,006.0
Administration/Business	186.4	145.8	148.0	77.1	99.0	104.9	20.1	2.1	87.1	51.3
Other	18.1	28.2	23.5	19.7	-	-	-	-	-	-
<b>Other Objects</b>	<b>262.9</b>	<b>258.0</b>	<b>226.5</b>	<b>344.7</b>	<b>(126.6)</b>	<b>359.6</b>	<b>534.1</b>	<b>367.2</b>	<b>411.3</b>	<b>773.7</b>
<b>Dues and Fees - Athletics</b>	<b>-</b>	<b>-</b>	<b>99.5</b>	<b>94.8</b>	<b>144.3</b>	<b>113.7</b>	<b>140.4</b>	<b>179.1</b>	<b>170.7</b>	<b>160.5</b>
<b>Property</b>	<b>1,133.0</b>	<b>972.9</b>	<b>1,837.1</b>	<b>1,117.4</b>	<b>1,313.7</b>	<b>511.4</b>	<b>455.8</b>	<b>542.9</b>	<b>650.3</b>	<b>294.8</b>
Technology Equipment	282.5	-	-	-	-	-	-	-	-	-
G/F Maint Projects	148.8	389.9	687.5	531.7	650.3	-	-	-	-	-
Other Equipment	701.7	583.0	1,149.6	585.7	663.4	511.4	455.8	542.9	650.3	294.8
<b>Debt Service</b>	<b>21,626.3</b>	<b>24,436.8</b>	<b>21,236.6</b>	<b>23,773.0</b>	<b>21,896.0</b>	<b>23,653.8</b>	<b>21,163.9</b>	<b>18,350.4</b>	<b>24,085.4</b>	<b>24,855.9</b>
Bond payments	21,626.3	24,436.8	21,236.6	23,773.0	21,896.0	23,653.8	21,163.9	18,350.4	24,085.4	24,855.9
<b>TOTAL EXPENSE</b>	<b>188,633.1</b>	<b>191,360.5</b>	<b>191,447.9</b>	<b>191,915.4</b>	<b>194,440.2</b>	<b>200,892.9</b>	<b>207,066.3</b>	<b>214,590.7</b>	<b>229,188.8</b>	<b>233,913.4</b>

Source: District Budget Control Forecast Model



# WEST CHESTER AREA SCHOOL DISTRICT

## REVENUE CAPACITY



**WEST CHESTER AREA SCHOOL DISTRICT**  
**Governmental Funds - Most Significant Own Source Revenues**  
 (modified accrual method of accounting)

<b>Fiscal Year</b>	<b>Millage Rate</b>	<b>Current Real Estate Taxes</b>	<b>Interim Real Estate Taxes</b>	<b>Delinquent Real Estate Taxes</b>	<b>Act 511 Taxes *</b>	<b>Other Local Revenues</b>	<b>Total Local Revenues</b>
2008-09	16.85	128,291,632	1,503,635	2,944,871	19,430,906	2,499,921	154,670,964
2009-10	17.85	136,999,771	1,331,749	3,316,209	19,164,815	1,129,737	161,942,281
2010-11	18.36	140,160,462	1,060,391	2,805,694	19,546,706	1,499,147	165,072,400
2011-12	18.36	139,648,021	1,070,637	3,816,141	21,356,508	1,689,127	167,580,434
2012-13	18.67	141,839,871	1,573,196	4,069,877	22,165,152	1,878,001	171,526,098
2013-14	18.67	143,225,113	679,486	3,365,905	23,185,205	1,603,099	172,058,808
2014-15	19.21	147,447,717	955,973	3,246,013	23,505,223	1,629,472	176,784,398
2015-16	19.5779	151,929,043	780,930	3,000,329	24,325,967	2,048,424	182,084,693
2016-17	20.0982	156,989,628	695,464	3,479,843	27,451,544	2,302,843	190,919,322
2017-18	20.6841	163,169,638	1,065,856	2,708,709	26,105,252	2,965,157	196,014,612

\* Act 511 Taxes include Earned Income and Real Estate Transfer Taxes  
 Source: *District Annual Financial Report (AFR)*

**WEST CHESTER AREA SCHOOL DISTRICT**  
**ANALYSIS OF ASSESSED VALUE FOR TAXABLE REAL ESTATE**  
(unaudited)

LAND USE DESCRIPTION	2008-09 # of Parcels	Assessment Total	2009-10 # of Parcels	Assessment Total	2010-11 # of Parcels	Assessment Total	2011-12 # of Parcels	Assessment Total	2012-13 # of Parcels	Assessment Total
<b>CHESTER COUNTY</b>										
Not Identified	21	3,045,790	-	-	1	47,820	-	-	-	-
Commercial Properties	1,593	1,389,076,248	1,632	1,408,305,033	1,652	1,382,775,453	1,659	1,365,477,339	1,677	1,391,810,649
Farm Properties	73	23,523,120	72	23,568,250	72	23,464,210	70	22,838,800	70	22,769,440
Industrial Properties	89	150,726,520	90	151,028,920	90	151,052,080	89	150,689,470	89	148,943,570
Residential Properties	29,676	5,965,419,357	29,778	6,013,563,931	29,838	6,012,588,031	29,917	6,015,067,375	30,033	6,012,449,332
Vacant Land	1,088	68,860,100	1,046	64,943,920	1,061	59,182,350	1,044	69,623,000	1,308	55,913,330
<b>TOTAL CHESTER COUNTY</b>	<b>32,540</b>	<b>7,600,651,135</b>	<b>32,618</b>	<b>7,661,410,054</b>	<b>32,714</b>	<b>7,629,109,944</b>	<b>32,779</b>	<b>7,623,695,984</b>	<b>33,177</b>	<b>7,631,886,321</b>
<b>DELAWARE COUNTY</b>										
Commercial/Industrial	14	8,533,463	15	8,904,963	12	6,868,373	14	8,533,463	14	8,533,463
Residential/Farms/Vacant Land	2,179	633,531,318	2,187	637,527,895	2,190	630,726,093	2,190	628,332,131	2,189	629,392,646
<b>TOTAL DELAWARE COUNTY</b>	<b>2,193</b>	<b>642,064,781</b>	<b>2,202</b>	<b>646,432,848</b>	<b>2,202</b>	<b>637,594,466</b>	<b>2,204</b>	<b>636,865,594</b>	<b>2,203</b>	<b>637,926,109</b>
<b>GRAND TOTAL</b>	<b>34,733</b>	<b>8,242,715,916</b>	<b>34,820</b>	<b>8,307,842,902</b>	<b>34,916</b>	<b>8,266,704,410</b>	<b>34,983</b>	<b>8,260,561,578</b>	<b>35,380</b>	<b>8,269,812,430</b>

LAND USE DESCRIPTION	2013-14 # of Parcels	Assessment Total	2014-15 # of Parcels	Assessment Total	2015-16 # of Parcels	Assessment Total	2016-17 # of Parcels	Assessment Total	2017-18 # of Parcels	Assessment Total
<b>CHESTER COUNTY</b>										
Not Identified	-	-	-	-	-	-	-	-	-	-
Commercial Properties	1,714	1,369,224,799	1,712	1,365,713,429	1,709	1,367,742,137	1,714	1,382,831,647	1,722	1,393,879,547
Farm Properties	68	22,066,740	68	22,066,740	69	22,703,280	69	22,730,390	69	23,544,790
Industrial Properties	88	146,750,180	88	145,936,270	87	145,405,235	87	145,188,555	87	145,353,765
Residential Properties	30,145	6,044,809,459	30,250	6,063,262,560	30,365	6,115,048,985	30,410	6,132,798,573	30,433	6,213,361,838
Vacant Land	1,162	50,755,900	1,163	49,319,210	1,090	47,541,320	1,068	45,006,370	1,039	47,346,930
<b>TOTAL CHESTER COUNTY</b>	<b>33,177</b>	<b>7,633,607,078</b>	<b>33,281</b>	<b>7,646,298,209</b>	<b>33,320</b>	<b>7,698,440,957</b>	<b>33,348</b>	<b>7,728,555,535</b>	<b>33,350</b>	<b>7,823,486,870</b>
<b>DELAWARE COUNTY</b>										
Commercial/Industrial	14	8,533,463	14	8,533,463	14	8,533,463	14	8,533,463	14	8,008,833
Residential/Farms/Vacant Land	2,193	629,105,934	2,192	633,891,761	2,194	638,801,396	2,199	638,865,520	2,198	639,278,166
<b>TOTAL DELAWARE COUNTY</b>	<b>2,207</b>	<b>637,639,397</b>	<b>2,206</b>	<b>642,425,224</b>	<b>2,208</b>	<b>647,334,859</b>	<b>2,213</b>	<b>647,398,983</b>	<b>2,212</b>	<b>647,286,999</b>
<b>GRAND TOTAL</b>	<b>35,384</b>	<b>8,271,246,475</b>	<b>35,487</b>	<b>8,288,723,433</b>	<b>35,528</b>	<b>8,345,775,816</b>	<b>35,561</b>	<b>8,375,954,518</b>	<b>35,562</b>	<b>8,470,773,869</b>

Source: County Land Use Code Report

**WEST CHESTER AREA SCHOOL DISTRICT**  
**Market Value versus Assessed Value of Taxable Real Estate**

<b>As of June 30th</b>	<b>Market Value Chester County (000)</b>	<b>Market Value Delaware County (000)</b>	<b>Total Market Value (000)</b>	<b>Assessed Value (000)</b>	<b>Ratio of Market Value to Assessed Value</b>
2007	9,086,864	610,170	9,697,034	8,242,716	118%
2008	10,393,941	674,163	11,068,104	8,307,843	133%
2009	10,480,758	671,018	11,151,776	8,266,704	135%
2010	11,334,739	690,551	12,025,290	8,260,562	146%
2011	11,311,170	682,225	11,993,395	8,269,812	145%
2012	11,830,153	706,388	12,536,541	8,271,246	152%
2013	11,841,643	705,298	12,546,941	8,288,723	151%
2014	12,049,694	736,705	12,786,399	8,345,776	153%
2015	12,149,938	741,885	12,891,823	8,375,955	154%
2016	12,584,089	786,253	13,370,342	8,470,774	158%

*Source: State Tax Equalization Board*

**WEST CHESTER AREA SCHOOL DISTRICT**  
**Property Tax Rates - All Direct and Overlapping Governments**  
**(Mills)**

<b>Chester County</b>		<b>West Chester</b>			<b>Township of East</b>			<b>Township of West</b>			<b>Borough of</b>	
<b>Fiscal Year</b>	<b>Area School District</b>	<b>Chester County</b>	<b>Bradford</b>	<b>Thornbury</b>	<b>East Goshen</b>	<b>Thornbury</b>	<b>West Goshen</b>	<b>Whiteland</b>	<b>Westtown</b>	<b>West Chester</b>	<b>West Chester</b>	
2008-09	16.85	3.97	0.07	1.25	0.84	1.50	0.60	2.00	2.00	5.60		
2009-10	17.85	3.97	0.07	1.25	0.84	2.00	0.60	2.00	2.00	5.80		
2010-11	18.36	3.97	0.07	1.25	0.84	2.00	0.60	2.00	2.50	6.96		
2011-12	18.36	3.97	0.34	1.25	0.84	2.00	0.60	2.00	2.50	6.96		
2012-13	18.67	4.16	0.34	1.25	0.84	2.00	0.72	3.50	3.50	6.96		
2013-14	18.67	4.16	0.34	1.25	1.00	2.00	0.72	3.50	3.50	6.96		
2014-15	19.21	4.16	0.34	1.25	1.00	2.00	0.72	3.50	3.50	6.96		
2015-16	19.5779	4.16	1.00	1.25	1.00	2.00	0.72	3.50	3.50	6.96		
2016-17	20.0982	4.16	1.00	1.25	1.00	2.00	0.72	3.50	3.50	6.96		
2017-18	20.6841	4.37	1.00	1.25	1.00	2.00	0.72	3.50	3.50	6.96		

Source: Chester County website

<b>Delaware County</b>		<b>West Chester</b>		
<b>Fiscal Year</b>	<b>Area School District</b>	<b>Delaware County</b>	<b>Township of Thornbury</b>	<b>Township of Thornbury</b>
2008-09	12.94	4.83	0.00	0.00
2009-10	14.16	4.83	0.00	0.00
2010-11	14.25	5.18	0.00	0.00
2011-12	14.22	5.18	0.00	0.00
2012-13	13.78	5.30	0.00	0.00
2013-14	13.62	5.45	0.00	0.00
2014-15	13.65	5.60	0.00	0.00
2015-16	13.9059	5.60	0.00	0.00
2016-17	14.7113	5.60	0.00	0.00
2017-18	15.2086	5.60	0.00	0.00

Source: Delaware County website

Note: Effective June 30, 2007, Pennsylvania law has imposed restrictions on a school district's ability to increase tax rates. The State restricts increases to tax rates to no more than a pre-calculated index. A district may apply for exceptions with the State to increase the tax rate above the index.

**WEST CHESTER AREA SCHOOL DISTRICT  
TEN LARGEST REAL PROPERTY TAXPAYERS  
(Unaudited)**

Name	Township	Type of Property	2017-18			2008-09		
			Taxable Assessed Value	Percent of District's Total Value	Rank	Taxable Assessed Value	Percent of District's Total Value	Rank
Exton Square, Inc.	West Whiteland	Shopping Mall	77,867,130	0.92%	1	104,473,320	1.27%	1
ARHC WCCCHPA01 LLC	East Goshen	Senior Living/ Assisted Living	41,434,200	0.49%	2			
Main Street At Exton	West Whiteland	Shopping Center	33,532,420	0.40%	3	32,376,300	0.39%	3
QVC Realty	West Goshen	Indust. Bldg/TV Shopping	29,333,170	0.35%	4	48,371,130	0.59%	2
TRC Valley Creek Assoc.	West Whiteland	Business Complex	28,500,000	0.34%	5	27,436,190	0.33%	4
Pointe Apartment Ownder LP	West Goshen	Apartment Complex	26,362,000	0.31%	6			
Bre Rook SH Bellingham LP	East Goshen	Senior Living Community	22,849,280	0.27%	7			
Exton Gardens LLC	West Whiteland	Apartment Complex	21,023,480	0.25%	8			
Whiteland Investors LP	West Whiteland	Shopping Center	19,320,000	0.23%	9	19,320,000	0.23%	7
Hankin Family Limited Partnership	East Goshen	Apartment Complex	17,331,650	0.20%	10	16,952,250	0.21%	9
Exton Whiteland Dev. Co.	West Whiteland	Shopping Center				21,460,000	0.26%	5
Exton Crossing Apts	West Whiteland	Apartment Complex				21,023,480	0.26%	6
Westtown Apt, Inc.	Westtown	Apartment Complex				16,636,690	0.20%	8
Hankin Group	West Whiteland	Apartment Complex				16,453,180	0.20%	10
<b>Total Assessed Value-- Ten Largest Taxpayers</b>			<b>317,553,330</b>			<b>324,502,540</b>		
<b>Total District Assessed Value</b>			<b>8,470,773,869</b>			<b>8,242,715,916</b>		

Source: District Fact Books

**WEST CHESTER AREA SCHOOL DISTRICT  
REAL ESTATE TAX COLLECTION AS A RATIO OF LEVY**

FISCAL YEAR	ASSESSED VALUATION	MILLS (2)	ADJUSTED LEVY	CURRENT COLLECTION	
				AMOUNT (1), (3)	PERCENT
2008-09	8,242,715,916	16.85	136,344,630	131,884,468	96.7%
2009-10	8,307,842,902	17.85	145,858,549	140,734,362	96.5%
2010-11	8,266,704,410	18.36	149,229,022	143,868,716	96.4%
2011-12	8,260,561,578	18.36	149,159,276	143,252,119	96.0%
2012-13	8,269,812,430	18.67	150,508,760	145,191,207	96.5%
2013-14	8,271,246,475	18.67	151,204,093	146,630,222	97.0%
2014-15	8,288,723,433	19.21	155,654,493	151,068,019	97.1%
2015-16	8,345,775,816	19.5779	159,721,081	155,284,474	97.2%
2016-17	8,375,954,518	20.0982	164,854,136	160,530,248	97.4%
2017-18	8,470,773,869	20.6841	171,450,694	166,713,031	97.2%

Source: District Tax Records

(1) 2008-09 through 2010-11 Includes revenue received from State designated for school district property tax reduction.

(2) One mill of tax is equal to \$1.00 for every \$1,000 of assessed valuation of real estate property

(3) Does not include delinquent or interim taxes collected.

# WEST CHESTER AREA SCHOOL DISTRICT

## DEBT CAPACITY





**WEST CHESTER AREA SCHOOL DISTRICT  
COMPUTATION OF NON-ELECTORAL DEBT MARGIN**

	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
Total General Fund Revenues*	189,079,944	196,838,806	200,193,855	200,328,038	205,516,382	206,453,328	213,970,535	220,793,385	235,401,340	242,175,000
Less Required Deductions if included in total										
Rental and Sinking Fund Reimbursement	1,519,538	1,558,427	1,074,696	1,224,820	1,151,153	1,160,377	1,181,706	-	2,104,117	1,554,549
Sale of Property and Non-recurring revenue	10,364	5,057	-	-	973	-	-	-	-	-
Fund Transfer	-	-	-	-	-	-	-	-	-	-
Net Revenues	187,550,042	195,275,323	199,119,159	199,103,218	204,364,256	205,292,951	212,788,829	220,793,385	233,297,223	240,620,451
<b>Annual Arithmetic Average (Borrowing Base)**</b>	<b>180,754,642</b>	<b>187,894,857</b>	<b>193,981,508</b>	<b>197,832,567</b>	<b>200,862,211</b>	<b>202,920,142</b>	<b>207,482,012</b>	<b>212,958,388</b>	<b>222,293,146</b>	<b>231,570,353</b>
Multiplier	225%	225%	225%	225%	225%	225%	225%	225%	225%	225%
<b>Total Nonelectoral Debt Limit</b>	<b>406,697,945</b>	<b>422,763,428</b>	<b>436,458,393</b>	<b>445,123,276</b>	<b>451,939,975</b>	<b>456,570,320</b>	<b>466,834,527</b>	<b>479,156,373</b>	<b>500,159,579</b>	<b>521,033,294</b>
Less Amount Debt Applicable to Debt Limit	304,530,000	302,533,000	291,539,000	279,630,000	287,443,000	285,016,000	271,826,000	266,615,000	261,070,000	256,125,000
<b>Total Debt Margin</b>	<b>102,167,945</b>	<b>120,230,428</b>	<b>144,919,393</b>	<b>165,493,276</b>	<b>164,496,975</b>	<b>171,554,320</b>	<b>195,008,527</b>	<b>212,541,373</b>	<b>239,089,579</b>	<b>264,908,294</b>
Ratio of Debt Limit to Debt Margin	25%	28%	33%	37%	36%	38%	42%	44%	48%	51%

Source: District Annual Financial Statements PDE 2057

\* Includes other financing sources

\*\* Borrowing Base is average of net revenues for three-year period

**WEST CHESTER AREA SCHOOL DISTRICT  
GROSS PRINCIPAL DEBT OUTSTANDING**

Fiscal Year	Series AA of 2010		Series A of 2012		Series AA of 2012		Series 2013		Series 2014		Series A 2014		Series AA 2014		Series A 2015		Series AA 2015		Series 2016		Series A 2016		Series AA 2016		Series 2017		Series A 2017		Total		
	Emmaus Note 2009	GOR	GOR	GOB	GOR	GOB	GOR	GOB	GOR	GOB	GOR	GOB	GOR	GOB	GOR	GOB	GOR	GOB	GOR	GOB	GOR	GOB	GOR	GOB	GOR	GOB	GOR	GOB			
2018- 2019	5,000	3,160,000	-	8,295,000	-	815,000	-	5,000	-	5,000	280,000	5,000	710,000	1,810,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	15,690,000		
2019- 2020	5,000	3,290,000	-	7,875,000	-	825,000	-	800,000	-	800,000	290,000	5,000	735,000	1,840,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	16,285,000		
2020- 2021	650,000	3,420,000	-	7,360,000	-	850,000	-	1,085,000	-	1,085,000	295,000	5,000	755,000	1,935,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	16,985,000		
2021- 2022	650,000	4,410,000	-	7,620,000	-	-	-	1,185,000	-	1,185,000	305,000	5,000	770,000	2,035,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	17,620,000		
2022- 2023	520,000	-	5,000	-	-	-	-	14,570,000	-	14,570,000	315,000	5,000	-	2,130,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	18,200,000		
2023- 2028	8,130,000	-	3,970,000	-	-	-	2,025,000	8,745,000	38,545,000	1,850,000	-	-	-	2,235,000	31,995,000	25,000	3,420,000	25,000	3,420,000	25,000	3,420,000	25,000	3,420,000	25,000	3,420,000	25,000	3,420,000	25,000	100,965,000		
2028- 2033	-	-	17,025,000	-	-	-	9,975,000	-	16,710,000	7,805,000	-	-	-	-	-	8,445,000	720,000	9,700,000	9,700,000	9,700,000	9,700,000	9,700,000	9,700,000	9,700,000	9,700,000	9,700,000	9,700,000	9,700,000	70,380,000		
<b>Total Principle</b>	<b>9,960,000</b>	<b>14,280,000</b>	<b>21,000,000</b>	<b>31,150,000</b>	<b>2,490,000</b>	<b>12,000,000</b>	<b>26,390,000</b>	<b>56,740,000</b>	<b>9,680,000</b>	<b>2,970,000</b>	<b>11,985,000</b>	<b>32,020,000</b>	<b>8,495,000</b>	<b>7,215,000</b>	<b>9,750,000</b>	<b>256,125,000</b>															
Premium (Discount)	-	884,927	-	3,851,821	123,137	-	2,331,323	4,359,076	7,375	144,330	1,861,416	4,497,377	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	18,149,101	
<b>Total</b>	<b>9,960,000</b>	<b>15,164,927</b>	<b>20,831,624</b>	<b>35,001,821</b>	<b>2,613,137</b>	<b>11,896,657</b>	<b>28,721,323</b>	<b>61,099,076</b>	<b>9,687,375</b>	<b>3,114,330</b>	<b>13,846,416</b>	<b>36,517,377</b>	<b>8,495,000</b>	<b>7,215,000</b>	<b>9,838,319</b>	<b>274,002,382</b>															

Source: District Debt Service Schedules

**WEST CHESTER AREA SCHOOL DISTRICT  
SCHEDULE OF DIRECT AND OVERLAPPING DEBT**

	<b>Gross Debt Outstanding</b>	<b>Percentage Applicable to this Governmental Unit</b>	<b>Net Share of Debt</b>
<b>Chester County</b>			
Direct Debt			
West Chester Area School District	256,125,000	100%	256,125,000
Overlapping Debt			
Township of East Bradford	11,067,750	100%	11,067,750 (1), (2)
Township of East Goshen	11,526,778	100%	11,526,778 (1), (2)
Township of Thornbury	-	100%	- (1), (2)
Township of West Goshen	5,435,000	100%	5,435,000 (1), (2)
Township of West Whiteland	11,350,000	100%	11,350,000 (1), (2)
Township of Westtown	13,031,321	100%	13,031,321 (1), (2)
Borough of West Chester	-	100%	- (1), (3)
Chester County	585,568,070	20%	117,859,885 (1), (2),
<b>Total Direct and Overlapping Chester County Debt</b>			<b>426,395,734</b>
<b>Delaware County</b>			
Direct Debt			
West Chester Area School District	256,125,000	100%	256,125,000
Overlapping Debt			
Township of Thornbury	153,143	100%	153,143 (1), (5)
Delaware County	254,155,334	1%	3,650,153 (1), (4),
<b>Total Direct and Overlapping Delaware County Debt</b>			<b>259,928,296</b>

(1) As of December 31, 2017

(2) Source: County of Chester

(3) Source: West Chester Borough

(4) Percentage of County Debt was derived by taking WCASD population as a Percentage of County

(5) Source: County of Delaware CAFR

**WEST CHESTER AREA SCHOOL DISTRICT**  
**RATIO OF NET GENERAL DEBT TO ASSESSED VALUE AND DEBT PER CAPITA**  
(Unaudited)

Fiscal Year	Assessed Value (1)	Gross Bonded Debt (5)	Debt Service		Net Bonded Debt	Ratio of Net Bonded Debt to Assessed		Population	Net Bonded Debt per Capita	Estimated Personal Income (4)	Percent of Personal Income
			Monies Available			Bonded	Assessed				
2008-09	8,242,715,916	296,990,000	-	-	296,990,000	3.6%	(3)	101,207	2,934	6,608,311,065	4.5%
2009-10	8,307,842,902	285,915,000	-	-	285,915,000	3.4%	(2)	108,441	2,637	7,080,655,095	4.0%
2010-11	8,266,704,410	275,895,000	-	-	275,895,000	3.3%	(2)	108,441	2,544	7,080,655,095	3.9%
2011-12	8,260,561,578	265,010,000	-	-	265,010,000	3.2%	(2)	108,441	2,444	7,080,655,095	3.7%
2012-13	8,269,812,430	273,900,000	-	-	273,900,000	3.3%	(2)	108,441	2,526	7,080,655,095	3.9%
2013-14	8,271,246,475	272,605,000	-	-	272,605,000	3.3%	(2)	108,441	2,514	7,080,655,095	3.8%
2014-15	8,288,723,433	260,605,000	-	-	260,605,000	3.1%	(2)	108,441	2,403	7,080,655,095	3.7%
2015-16	8,345,775,816	256,645,000	-	-	256,645,000	3.1%	(2)	108,441	2,367	7,080,655,095	3.6%
2016-17	8,375,954,518	271,745,378	-	-	271,745,378	3.2%	(2)	108,441	2,506	7,080,655,095	3.8%
2017-18	8,470,773,869	264,042,382	-	-	264,042,382	3.1%	(2)	108,441	2,435	7,080,655,095	3.7%

(1) Source: District Fact Book

(2) Source: 2010 Census

(3) Source: 2000 Census

(4) Uses 1999 Household Median Income from Chester County Planning Commission

(5) Source: District Audit Report

# WEST CHESTER AREA SCHOOL DISTRICT

## DEMOGRAPHIC AND ECONOMIC INFORMATION



**WEST CHESTER AREA SCHOOL DISTRICT**  
Trends in Population, Market Value and Personal Income

	West Chester Area School District Population (3)	Chester County Population (1)	Pennsylvania Population (1)	United States Population (1)
1970	Not Available	278,311	11,758,458	203,302,031
1980	68,170	316,660	11,855,687	226,542,199
1990	81,172	376,396	11,881,643	248,709,873
2000	94,114	433,501	12,281,054	281,421,906
2010	100,413	498,886	12,702,379	308,745,538
2011 *	101,943	503,652	12,744,293	311,663,358
2012 *	102,353	506,278	12,771,854	313,998,379
2013 *	102,688	509,396	12,781,338	316,204,908
2014 *	103,423	512,899	12,790,565	318,563,456
2015 *	103,890	515,253	12,791,904	320,896,618
2016 *	103,647	516,312	12,784,227	323,127,513
2017 *	103,601	519,293	12,805,537	325,719,178

\* As estimated by US Census Bureau

	West Chester Area School District Market Value	West Chester Area School District Adjusted Personal Income	Pennsylvania Market Value	Pennsylvania Adjusted Personal Income (2)
2008	\$11,064,906,900	\$4,451,051,840	\$691,149,996,700	\$284,972,235,557
2009	\$11,151,776,000	\$4,217,565,767	\$699,875,265,754	\$269,983,839,121
2010	\$12,025,290,349	\$4,599,671,765	\$753,847,457,918	\$285,034,294,226
2011	\$11,993,394,605	\$4,245,577,671	\$756,045,821,766	\$295,345,108,406
2012	\$12,536,540,440	\$4,698,094,232	\$776,736,893,311	\$312,219,585,188
2013	\$12,546,941,355	\$4,502,829,867	\$781,362,158,748	\$311,032,689,690
2014	\$12,786,398,938	\$4,980,850,893	\$801,633,782,130	\$328,242,656,054
2015	\$12,891,822,543	\$5,035,785,968	\$810,805,701,762	\$342,030,707,410
2016	\$13,370,341,641	\$5,106,608,693	\$839,594,528,100	\$339,831,330,362
2017	\$13,559,785,462	Not Available	\$847,630,312,124	Not Available

(1) Source: US Census

(2) Source: PA Dept of Education

(3) Chester County Planning Commission

**WEST CHESTER AREA SCHOOL DISTRICT**  
**Key Economic and Housing Indices**

**Household Income**

	Household Income, 2010				Median Household Income, 1999 (1)
	Total households 1999	less than \$50,000	\$50,000 to \$100,000	\$100,000 or more	
Chester County	158,025	44,509	46,175	67,341	65,295
West Chester Area (2)	37,583	10,777	11,783	15,023	

**Labor Force and Employment**

	Population 16 years and over, 2010	Civilian Labor Force, 2010			Unemployment Rate, 2010 (1)
		Total	Employed	Unemployed	
Pennsylvania					8.5%
Chester County	378,828	261,929	249,690	12,239	6.5%
West Chester Area (2)	74,680	53,141	51,129	2,012	N/A

**Housing Value**

	Total Owner Occupied Units, 2010	Housing Value				
		Less than \$150,000	\$150,000 to \$300,000	\$300,001 to \$400,000	\$400,001 to \$500,000	\$500,001 or more (1)
Chester County	106,254	11,071	49,959	26,969	14,268	3,987
West Chester Area (2)	26,707	1,189	7,645	6,640	5,140	6,093

**West Chester Area Median Home Value in 2000 = \$182,500**

(1) Source: U S Census Bureau American Community Survey 2005-2009

(2) West Chester Area is comprised of all Chester County West Chester Area municipalities

**WEST CHESTER AREA SCHOOL DISTRICT  
LARGEST EMPLOYERS WITHIN THE SCHOOL DISTRICT**  
Unaudited

Name	Product or Service	2017-18			2008-09		
		Approximate Employment	Rank	% of Total	Approximate Employment	Rank	% of Total
West Chester University	Education	2,702	1	5.3%	1,364	7	2.7%
QVC Network, Inc.	Home Shopping Network	2,597	2	5.1%	3,239	1	6.3%
Penn Medicine Chester County Hospital	Health Care Services	2,277	3	4.5%	1,977	3	3.9%
Chester County	County Government	1,792	4	3.5%	2,418	2	4.7%
United Parcel Service, Inc.	Delivery Services	1,672	5	3.3%	1,394	6	2.7%
West Chester Area School District	Education	1,522	6	3.0%	1,485	5	2.9%
Johnson & Johnson Services Inc.	Drug Research and Testing	1,313	7	2.6%			
Giant Food Stores LLC	Grocery	915	8	1.8%			
Communications Test Design	Communications Engineering	803	9	1.6%			
Johnson Matthey Inc.	Metal Fabricator	738	10	1.4%			
Therakos	Health Care Products				1,543	4	3.0%
Synthes Spine Co. LP	Medical Technology				1,197	8	2.3%
People 2.0 Global	Staffing Agency				950	9	1.9%
JC Penney	Retail				932	10	1.8%
Total		16,331			16,499		

Note: % of Total Employment uses 2010 Total West Chester Community employed population of 51,129

Source: District EIT Collection records, District Fact Book Chester County Planning Commission



# WEST CHESTER AREA SCHOOL DISTRICT

## OPERATING INFORMATION



**WEST CHESTER AREA SCHOOL DISTRICT  
STAFFING RATIOS FOR PROFESSIONAL STAFF**

<b>Fiscal Year</b>	<b>Number of School Staff *</b>	<b>Number of Students</b>	<b>Ratio Students/Staff</b>
2008-09	999.20	11,684	11.7
2009-10	996.78	11,810	11.8
2010-11	987.70	11,825	12.0
2011-12	976.10	11,822	12.1
2012-13	972.40	11,687	12.0
2013-14	971.80	11,666	12.0
2014-15	971.60	11,624	12.0
2015-16	971.30	11,483	11.8
2016-17	973.30	11,589	11.9
2017-18	979.80	11,928	12.2

\* Includes: teachers, librarians, guidance counselors, nurses, supervisors, school administrators and social workers.

*Source: District Fact Book*

**WEST CHESTER AREA SCHOOL DISTRICT  
DISTRICT FACILITIES**

<b>Building</b>	<b>Original Construction Date</b>	<b>Addition and/or Renovation Date</b>	<b>Grades</b>	<b>Site Area (Acres)</b>	<b>Building Sq. Ft.</b>	<b>Sept. 30<sup>th</sup> 2017 Enrollment</b>
B. Rustin High School	2003-06	-	9-12	123.20	283,000	1,303
East High School	1973	1976/92/93/04	9-12	62.60	314,453	1,236
East/Fugett Athletic Fields	2004	-	-	43.35	-	----
Henderson High School	1951	1956/64/76/94/98/04	9-12	30.56	287,351	1,225
Henderson-North Campus Athletics	2006	-	-	28.40	-	----
E. N. Peirce Middle School	1963	1998/01/03	6-8	26.70	136,250	1,000
G. A. Stetson Middle School	1959	1961/98/03/07	6-8	38.40	134,857	921
J. R. Fugett Middle School	1969	2009	6-8	*	163,340	903
East Bradford Elementary	1958	1966/70/89/13	K-5	18.20	58,367	450
East Goshen Elementary	1955	1960/64/67/95/01	K-5	20.80	67,832	427
Exton Elementary	1940	1953/57/91/92/93/00	K-5	13.10	66,265	550
Fern Hill Elementary	1955	1960/89/16	K-5	20.00	64,555	557
Glen Acres Elementary	1966	1997	K-5	11.70	59,931	593
Hillsdale Elementary	1976	2007	K-5	19.10	70,631	592
Mary C. Howse Elementary	1962	1965/97	K-5	15.24	65,287	581
Penn Wood Elementary	1966	1970/89/01/12	K-5	18.60	64,350	521
Sarah W. Starkweather Elementary	1991	1998	K-5	37.90	75,094	577
Westtown-Thornbury Elementary	1954	1956/89/12	K-5	11.70	55,556	492
<b>Facilities and Operations Center</b>	1999	-	-	3.20	24,588	----
<b>Spellman Education Center</b>	1988	2017	Admin	3.32	42,000	----
<b>Spellman Administration</b>	1924	1952/55/77/99	Admin	17.60	42,845	----
				563.67	2,076,552	11,928

\* Fugett acreage included in East HS site area

**WEST CHESTER AREA SCHOOL DISTRICT  
SCHOOL DISTRICT EMPLOYEES BY FUNCTION  
For the 2017-18 Fiscal Year**

Functions	Elementary	Middle	High	Other	Total
1100 Regular	326.40	167.00	217.20	20.00	730.60
1200 Special	46.00	26.20	33.20	134.60	240.00
1300 Vocational	-	14.40	13.10	-	27.50
2100 Support Services- Students	19.60	15.00	33.00	12.00	79.60
2200 Support Services- Instructional	15.00	3.00	7.10	10.95	36.05
2300 Support Services- Administration	30.00	15.00	21.00	8.00	74.00
2400 Support Services- Pupil Health	10.00	4.00	6.00	6.00	26.00
2500 Support Services- Business Office	-	-	-	14.00	14.00
2600 Operation and Maintenance of Plant Services	29.00	18.00	34.00	45.00	126.00
2700 Student Transportation Services	-	-	-	3.50	3.50
2800 Support Services- Central	-	-	-	25.05	25.05
3000 Operation of Non-Instructional Services	-	-	9.00	-	9.00
<b>Total 2017-18 FTEs</b>	<b>476.00</b>	<b>262.60</b>	<b>373.60</b>	<b>279.10</b>	<b>1,391.30</b>

Source: District Personnel Budget Documentation

**WEST CHESTER AREA SCHOOL DISTRICT  
STUDENT ENROLLMENT SUMMARY**

School Year:	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Kindergarten (half-time)	At Sept. 30 628	660	611	630	616	557	584	525	599	-
	End of Year 620	658	609	646	609	539	604	532	617	-
**Kindergarten (full-time)	75	74	74	76	76	90	79	90	73	891
	77	74	74	72	76	107	51	86	63	896
Grades 1-5	At Sept. 30 4,258	4,290	4,351	4,379	4,377	4,431	4,363	4,328	4,355	4,449
	End of Year 4,230	4,277	4,351	4,385	4,327	4,434	4,339	4,324	4,376	4,439
Grades 6-8	At Sept. 30 2,803	2,801	2,819	2,790	2,763	2,687	2,790	2,782	2,809	2,824
	End of Year 2,762	2,800	2,812	2,777	2,728	2,670	2,767	2,780	2,825	2,823
Grades 9-12	At Sept. 30 3,920	3,985	3,970	3,947	3,855	3,901	3,808	3,758	3,753	3,764
	End of Year 3,845	3,908	3,894	3,896	3,815	3,853	3,764	3,753	3,740	3,750
TOTAL-Sept. 30	11,684	11,810	11,825	11,822	11,687	11,666	11,624	11,483	11,589	11,928
TOTAL-End of Year	11,534	11,717	11,740	11,776	11,555	11,603	11,525	11,475	11,621	11,908
Increase/Decrease at September 30	17	126	15	(3)	(135)	(21)	(42)	(141)	106	339

\*\*Students are pulled from the half-time K & placed in full-time K

**WEST CHESTER AREA SCHOOL DISTRICT  
STUDENT MARKET SHARE ANALYSIS**

2008-09   2009-10   2010-11   2011-12   2012-13   2013-14   2014-15   2015-16   2016-17   2017-18

<b>Total Out-of-District</b>	<b>4,943</b>	<b>4,763</b>	<b>4,358</b>	<b>4,334</b>	<b>4,322</b>	<b>4,073</b>	<b>4,034</b>	<b>4,164</b>	<b>3,978</b>	<b>3,722</b>
<b>% of Total</b>	<b>29.7%</b>	<b>28.7%</b>	<b>26.9%</b>	<b>26.8%</b>	<b>27.0%</b>	<b>25.9%</b>	<b>25.8%</b>	<b>26.6%</b>	<b>25.6%</b>	<b>23.8%</b>
<b>Total In-District</b>	<b>11,684</b>	<b>11,810</b>	<b>11,825</b>	<b>11,822</b>	<b>11,687</b>	<b>11,666</b>	<b>11,624</b>	<b>11,483</b>	<b>11,589</b>	<b>11,928</b>
<b>% of Total</b>	<b>70.3%</b>	<b>71.3%</b>	<b>73.1%</b>	<b>73.2%</b>	<b>73.0%</b>	<b>74.1%</b>	<b>74.2%</b>	<b>73.4%</b>	<b>74.4%</b>	<b>76.2%</b>
<b>Total Students</b>	<b>16,627</b>	<b>16,573</b>	<b>16,183</b>	<b>16,156</b>	<b>16,009</b>	<b>15,739</b>	<b>15,658</b>	<b>15,647</b>	<b>15,567</b>	<b>15,650</b>
<b>Share Change Year-to-Year</b>	<b>0.03%</b>	<b>1.41%</b>	<b>2.54%</b>	<b>0.14%</b>	<b>-0.23%</b>	<b>1.53%</b>	<b>0.16%</b>	<b>-1.14%</b>	<b>1.44%</b>	<b>2.38%</b>

<b>WCASD</b>	<b>11,684</b>	<b>11,810</b>	<b>11,825</b>	<b>11,822</b>	<b>11,687</b>	<b>11,666</b>	<b>11,624</b>	<b>11,483</b>	<b>11,589</b>	<b>11,928</b>
<b>Elementary</b>	4,961	5,024	5,036	5,085	5,069	5,078	5,026	4,943	5,027	5,340
<b>% of Total Elementary</b>	57.6%	59.1%	60.8%	61.1%	61.2%	62.8%	62.6%	61.4%	63.3%	66.7%
<b>Secondary</b>	6,723	6,786	6,789	6,737	6,618	6,588	6,598	6,540	6,562	6,588
<b>% of Total Secondary</b>	83.9%	84.0%	86.0%	86.0%	85.7%	86.1%	86.5%	86.0%	86.1%	86.2%

<b>Out-Of-District</b>	<b>4,943</b>	<b>4,763</b>	<b>4,358</b>	<b>4,334</b>	<b>4,322</b>	<b>4,073</b>	<b>4,034</b>	<b>4,164</b>	<b>3,978</b>	<b>3,722</b>
<b>Elementary</b>	<b>3,654</b>	<b>3,473</b>	<b>3,253</b>	<b>3,233</b>	<b>3,216</b>	<b>3,005</b>	<b>3,007</b>	<b>3,103</b>	<b>2,918</b>	<b>2,670</b>
Private	185	196	171	185	188	181	227	229	193	193
<b>% of Total</b>	1.1%	1.2%	1.1%	1.1%	1.2%	1.2%	1.4%	1.5%	1.2%	1.2%
Religious - Catholic	2,241	2,125	1,973	1,850	1,805	1,682	1,618	1,615	1,476	1,329
<b>% of Total</b>	13.5%	12.8%	12.2%	11.5%	11.3%	10.7%	10.3%	10.3%	9.5%	8.5%
Religious - Other	448	394	325	375	336	248	270	329	331	303
<b>% of Total</b>	2.7%	2.4%	2.0%	2.3%	2.1%	1.6%	1.7%	2.1%	2.1%	1.9%
Charter	538	536	570	610	656	670	706	717	678	615
<b>% of Total</b>	3.2%	3.2%	3.5%	3.8%	4.1%	4.3%	4.5%	4.6%	4.4%	3.9%
Special Education	54	56	47	43	48	54	36	50	67	62
<b>% of Total</b>	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.2%	0.3%	0.4%	0.4%
Alternative	-	1	2	5	7	2	-	-	-	-
<b>% of Total</b>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Home School	188	165	165	165	176	168	150	163	173	168
<b>% of Total</b>	1.1%	1.0%	1.0%	1.0%	1.1%	1.1%	1.0%	1.0%	1.1%	1.1%
<b>Secondary</b>	<b>1,289</b>	<b>1,290</b>	<b>1,105</b>	<b>1,101</b>	<b>1,106</b>	<b>1,068</b>	<b>1,027</b>	<b>1,061</b>	<b>1,060</b>	<b>1,052</b>
Private	54	49	33	39	46	35	40	38	36	40
<b>% of Total</b>	0.3%	0.3%	0.2%	0.2%	0.3%	0.2%	0.3%	0.2%	0.2%	0.3%
Religious - Catholic	947	939	814	803	819	762	725	812	784	768
<b>% of Total</b>	5.7%	5.7%	5.0%	5.0%	5.1%	4.8%	4.6%	5.2%	5.0%	4.9%
Religious - Other	148	142	140	123	98	84	93	82	75	77
<b>% of Total</b>	0.9%	0.9%	0.9%	0.8%	0.6%	0.5%	0.6%	0.5%	0.5%	0.5%
CCIU	78	97	77	97	84	125	106	94	107	119
<b>% of Total</b>	0.5%	0.6%	0.5%	0.6%	0.5%	0.8%	0.7%	0.6%	0.7%	0.8%
Alternative	62	63	41	39	59	62	63	35	58	48
<b>% of Total</b>	0.4%	0.4%	0.3%	0.2%	0.4%	0.4%	0.4%	0.2%	0.4%	0.3%

<b>TOTAL NO. STUDENTS</b>	<b>16,627</b>	<b>16,573</b>	<b>16,183</b>	<b>16,156</b>	<b>16,009</b>	<b>15,739</b>	<b>15,658</b>	<b>15,647</b>	<b>15,567</b>	<b>15,650</b>
Elementary	8,615	8,497	8,289	8,318	8,285	8,083	8,033	8,046	7,945	8,010
Secondary	8,012	8,076	7,894	7,838	7,724	7,656	7,625	7,601	7,622	7,640

<b>TOTAL NO OF BIRTHS (AGE 5)</b>	1,191	1,248	1,234	1,150	1,155	1,123	1,177	1,035	1,049	1,001
<b>TOTAL NO. STUDENTS</b>	<b>16,627</b>	<b>16,573</b>	<b>16,183</b>	<b>16,156</b>	<b>16,009</b>	<b>15,739</b>	<b>15,658</b>	<b>15,647</b>	<b>15,567</b>	<b>15,650</b>
Elementary	8,615	8,497	8,289	8,318	8,285	8,083	8,033	8,046	7,945	8,010
Secondary	8,012	8,076	7,894	7,838	7,724	7,656	7,625	7,601	7,622	7,640

<b>Facility Breakdown</b>										
<b>% Public</b>	70.3%	71.3%	73.1%	73.2%	73.0%	74.1%	74.2%	73.4%	74.4%	76.2%
<b>Schools Facilities Not WCASD</b>										
% Private	1.4%	1.5%	1.3%	1.4%	1.5%	1.4%	1.7%	1.7%	1.5%	1.5%
% Religious	22.8%	21.7%	20.1%	19.5%	19.1%	17.6%	17.3%	18.1%	17.1%	15.8%
% Charter	3.2%	3.2%	3.5%	3.8%	4.1%	4.3%	4.5%	4.6%	4.4%	3.9%
% Special Education	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.2%	0.3%	0.4%	0.4%
% CCIU	0.5%	0.6%	0.5%	0.6%	0.5%	0.8%	0.7%	0.6%	0.7%	0.8%
% Alternative	0.4%	0.4%	0.3%	0.3%	0.4%	0.4%	0.4%	0.2%	0.4%	0.3%
% Home School	1.1%	1.0%	1.0%	1.0%	1.1%	1.1%	1.0%	1.0%	1.1%	1.1%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

# WEST CHESTER AREA SCHOOL DISTRICT

## SINGLE AUDIT





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

December 17, 2018

Board of School Directors  
West Chester Area School District  
Exton, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the West Chester Area School District ("the District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 17, 2018.

Internal Control Over Financial Reporting

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

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

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



Board of School Directors  
West Chester Area School District

Compliance and Other Matters

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

Purpose of This Report

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

*Barbacane, Thornton & Company LLP*  
BARBACANE, THORNTON & COMPANY LLP

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

December 17, 2018

Board of School Directors  
West Chester Area School District  
Exton, Pennsylvania

Report on Compliance for the Major Federal Program

We have audited the West Chester Area School District's ("the District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2018. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and recommendations.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Board of School Directors  
West Chester Area School District

### Opinion on the Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

### Report on Internal Control Over Compliance

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

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

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

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

  
BARBACANE, THORNTON & COMPANY LLP

WEST CHESTER AREA SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

**PART A - SUMMARY OF AUDITOR'S RESULTS**

*Financial Statements*

Type of auditor's report issued [*unmodified, qualified, adverse, or disclaimer*]:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported
- Noncompliance material to financial statements noted?  Yes  No

*Federal Awards*

Internal control over major program:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported

Type of auditor's report issued on compliance for major program [*unmodified, qualified, adverse, or disclaimer*]:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?

Yes  No

Identification of major program:

CFDA Number \_\_\_\_\_

Name of Federal Program or Cluster \_\_\_\_\_

84.010

Title I Grants to Local Education Agencies

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

\$ 750,000

Auditee qualified as low-risk auditee?

Yes  No

WEST CHESTER AREA SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

**PART B - FINDINGS RELATED TO FINANCIAL STATEMENTS**

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

**PART C - FINDINGS RELATED TO FEDERAL AWARDS**

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

**WEST CHESTER AREA SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018**

Federal CFDA Number	Source Code	Pass-Through Grantor's Number	Grant Period Beginning - Ending	Program or Award Amount	Total Received for Year	Accrued (Unearned) Revenue 07/01/17	Revenue Recognized	Expenditures	Accrued (Unearned) Revenue 06/30/18	Passed Through to Subrecipients
<b>U.S. Department of Education</b>										
<b>Passed through PA Department of Education</b>										
84-010	I	013-180470	07/27/17-09/30/18	\$ 835,294	\$ 723,922	\$ -	\$ 835,294	\$ 835,294	\$ 111,372	\$ -
84-010	I	013-170470	07/01/16-09/30/17	967,673	62,331	59,196	3,135	3,135	-	-
84-010	I	077-160470	09/07/16-09/30/17	77,780	23,932	(5,225)	29,157	29,157	-	-
Total CFDA #84-010					810,185	53,971	867,586	867,586	111,372	-
84-365	I	010-180470	07/27/17-09/30/18	100,652	50,852	-	55,039	55,039	4,187	-
84-365	I	010-180470	07/27/17-09/30/18	8,316	-	-	-	-	-	-
84-365	I	010-170470	07/01/16-09/30/17	110,674	56,163	(7,669)	63,832	63,832	-	-
84-365	I	010-170470	07/01/16-09/30/17	6,135	6,135	-	6,135	6,135	-	-
Total CFDA #84-365					113,150	(7,669)	125,006	125,006	4,187	-
84-367	I	020-180470	07/27/17-09/30/18	262,068	192,265	-	195,895	195,895	3,630	-
84-367	I	020-170470	07/01/16-09/30/17	271,320	90,009	38,728	51,281	51,281	-	-
Total CFDA #84-367					282,274	38,728	247,176	247,176	3,630	-
84-424	I	144-180470	07/27/17-09/30/18	18,724	7,490	-	10,790	10,790	3,300	-
<b>Passed through Intermediate Unit 1</b>										
84-027	I	C-178-8253	07/01/17-06/30/18	10,000	-	-	9,991	9,991	9,991	-
84-027	I	C-178-8182	07/01/17-07/31/18	10,000	94	-	2,503	2,503	2,409	-
84-027	I	2016-17-004	07/01/16-08/15/17	10,000	2,505	2,505	-	-	-	-
Total CFDA #84-027					781,150	-	1,301,916	1,301,916	520,766	-
84-027	I	62-1700024	07/01/17-09/30/18	1,321,619	1,321,619	1,321,619	-	-	-	-
84-027	I	62-1600024	07/01/16-09/30/17	1,321,619	2,105,368	1,324,124	1,314,410	1,314,410	533,166	-
Total CFDA #84-027					5,197	5,197	3,724	3,724	3,724	-
84-173	I	131-170024B	07/01/17-06/30/18	3,721	-	-	3,724	3,724	3,724	-
84-173	I	131-160024B	07/01/16-06/30/17	5,197	5,197	5,197	-	-	-	-
Total CFDA #84-173					3,323,664	1,414,351	2,568,692	2,568,692	659,379	-
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>										
<b>U.S. Department of Health and Human Services</b>										
93-778	I	N/A	07/01/16-06/30/17	23,463	23,463	-	23,463	23,463	-	-
Title XIX Medical Assistance Program					23,463	-	23,463	23,463	-	-
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>										

Continued on next page.

**WEST CHESTER AREA SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning - Ending	Program or Award Amount	Total Received for Year	Accrued (Unearned) Revenue 07/01/17	Revenue Recognized	Expenditures	Accrued (Unearned) Revenue 06/30/18	Passed Through to Subrecipients	
<b>U.S. Department of Agriculture</b>												
Passed through P.A. Department of Agriculture												
Value of USDA Donated Commodities	I	10.555	N/A	07/01/17-06/30/18	N/A	127,914	-	105,526	105,526	(22,388)	-	
	I	10.555	N/A	07/01/16-06/30/17	N/A	127,914	(25,490)	25,490	25,490	-	-	
						127,914	(25,490)	131,016	131,016	(22,388)	-	
Passed through PA. Department of Education												
National School Lunch Program	I	10.555	362	07/01/17-06/30/18	N/A	498,301	-	597,366	597,366	99,065	-	
National School Lunch Program	I	10.555	362	07/01/16-06/30/17	N/A	75,562	75,562	-	-	-	-	
Total CFDA #10.555						573,863	75,562	597,366	597,366	99,065	-	
School Breakfast Program	I	10.553	365	07/01/17-06/30/18	N/A	95,344	-	116,842	116,842	21,498	-	
School Breakfast Program	I	10.553	365	07/01/16-06/30/17	N/A	18,620	18,620	-	-	-	-	
Total CFDA #10.553						113,964	18,620	116,842	116,842	21,498	-	
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>						815,741	68,692	845,224	845,224	98,175	-	
<b>TOTAL FEDERAL AWARDS</b>						\$ 4,162,868	\$ 1,483,043	\$ 3,437,379	\$ 3,437,379	\$ 757,554	\$ -	
<b>SPECIAL EDUCATION CLUSTER (IDEA) (CFDAs #84.027 AND #84.173)</b>												
						\$ 2,110,565	\$ 1,329,321	\$ 1,318,134	\$ 1,318,134	\$ 536,890	\$ -	
<b>CHILD NUTRITION CLUSTER (CFDAs #10.553 AND #10.555)</b>												
						\$ 815,741	\$ 68,692	\$ 845,224	\$ 845,224	\$ 98,175	\$ -	

Source Code:

I - Indirect Funding

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A BASIS OF PRESENTATION

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

NOTE B BASIS OF ACCOUNTING

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

NOTE C NONMONETARY FEDERAL AWARDS - DONATED COMMODITIES

The Commonwealth of Pennsylvania distributes federal surplus food to institutions (schools, hospitals, and prisons) and to the needy. Expenditures reported in the schedule of expenditures of federal awards under CFDA #10.555 (Value of USDA Donated Commodities) represent surplus food consumed by the District during the 2017-2018 fiscal year. The District has food commodities totaling \$22,388 in inventory as of June 30, 2018.

NOTE D ACCESS PROGRAM

The ACCESS Program is a medical assistance program that reimburses local educational agencies for direct eligible health-related services provided to enrolled special needs students. Reimbursements are federal source revenues but are classified as fee-for-service and are not considered federal financial assistance. The amount of ACCESS funding recognized for the year ended June 30, 2018 was \$779,556.

NOTE E INDIRECT COST

The District has not elected to use the 10 percent de minimis indirect cost rate allowed under Uniform Guidance. For the year ended June 30, 2018, there were no indirect costs included in the schedule of expenditures of federal awards.