



**WEST CHESTER AREA SCHOOL DISTRICT**

*Inspiring students to achieve their personal best*

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**COMPREHENSIVE  
ANNUAL  
FINANCIAL REPORT**

**For the Fiscal Year Ended June 30, 2012**

West Chester Area School District  
829 Paoli Pike  
West Chester, Pennsylvania 19380



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**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**For the Fiscal Year Ended June 30, 2012**

**Prepared by the**

**West Chester Area School District  
Business Office**

**Dr. Suzanne K. Moore  
Director of Business Affairs**

**Mr. John Scully  
Assistant Director of Business Affairs**

**Ms. Elizabeth Butch  
Controller**

West Chester Area School District  
829 Paoli Pike  
West Chester, Pennsylvania 19380

**WEST CHESTER AREA SCHOOL DISTRICT**

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**INTRODUCTORY  
SECTION**



# WEST CHESTER AREA SCHOOL DISTRICT

*Inspiring students to achieve their personal best*

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November 29, 2012

Dear Community Member,

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of West Chester Area School District for the fiscal year ended June 30, 2012. This District's Business Office prepared this report.

The Comprehensive Annual Financial Report (CAFR) is published to present complete and accurate financial information on all the funds and financial activities of the District for the 2011-12 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, Certified Public Accountants, have audited the District's financial statements. They have issued an unqualified opinion on the West Chester Area School District's financial statements for the Year ending June 30, 2012. 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 auditors' report, provides an overview of the District's financial performance during the fiscal year ending June 30, 2012. 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) Statement #14. 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 miles. The School 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 School District and is the county seat for Chester County, 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 School 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 School 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 through 12<sup>th</sup> grade, including regular instruction, special instruction, vocational education and support services to the approximately 16,300 students that live within the School 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 838 children that live within the District boundaries that attend charter schools. During the year ending June 30, 2012, the District paid \$7,069,234 in tuition to Charter Schools.

### Budget Controls

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 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 thirty 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 assurances 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 state wide 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 recently by a number of factors. In 2006, the Pennsylvania General Assembly passed into law Special Session Act 1 of 2006. This law restricted the amount that School Districts can raise real estate taxes to within a cost of living index. Any real estate tax increases above this cost of living index need to be approved by voter referendum. In 2011-12, the index allowed for a 1.4% increase in real estate taxes but the School Board opted for no real estate tax increase in light of the difficult financial economy that tax payers faced.

As the District wrestled with this change in funding restrictions, School Districts throughout Pennsylvania incurred a number of other detrimental budgetary impacts. The Pennsylvania economy, which has a direct effect on the District's earned income tax and other local revenues, followed the poor performance seen in the rest of the world. The District pension program, which is administered by the State, announced substantial increases in pension rates. The pension program projected employer rates to increase by as much as 4% every year over the next 9 years. The District contribution rate will increase from the 2011-12 contribution rate of 8.65% to the projected rate of 25.56% in 2015-16. In regard to federal revenues, the District had planned for a reduction in 2011-12 federal stimulus funds but the District received additional unexpected cuts in state subsidies and federal funds. The State eliminated the Charter School subsidies in 2011-12 which reduced annual revenue by more than \$1,400,000. Lastly, the District experienced a number of successful real estate assessment appeals as a result of the poor economy. These assessment appeals resulted in a reduction in total real estate collections.

After evaluating the above issues and coupling this with the forecasted slow economic recovery, the District took budgetary action. In 2009, the District formed a Community Budgetary Task Force that included parents, members of the community, board members and key staff members. The 2009 Community Budget Task Force experience was positive, with the exercise resulting in more than \$6 Million of findings for budget reductions and non-tax revenue enhancements. The District initiated another budget task force in 2011 to help close the budget gap in the 2012-13 budget. The second Budget Task Force was successful in finding reductions of \$1 million, offering opportunities for the Board to close the 2012-13 budget gap.

#### 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 recently completed renovation of all secondary schools. The District is in the planning and design phase for the renovation of the District's elementary schools. The original construction and renovation of the District buildings is included in the statistical section of the CAFR under operating information. In the summer of 2012, the District started the renovation of both Penn Wood and Westtown Thornbury Elementary schools. The balance of the renovation schedule was still being determined. It is important to note that District enrollment is expected to stay relatively consistent for the projected future.

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.

### Independent Audit

The District engages an independent certified public accounting firm to audit the School District's annual financial statements. The auditor's report on the Fiscal 2011-12 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, 2011. This award confirms the school business officials' commitment to financial accountability and transparency. Recognition through the COE program can help strengthen a 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,

A handwritten signature in black ink, appearing to read "Suzanne K. Moore". The signature is fluid and cursive, with a long horizontal stroke at the end.

Dr. Suzanne K. Moore  
Director of Business Affairs

**WEST CHESTER AREA SCHOOL DISTRICT**

**2011-12 School Board Members**

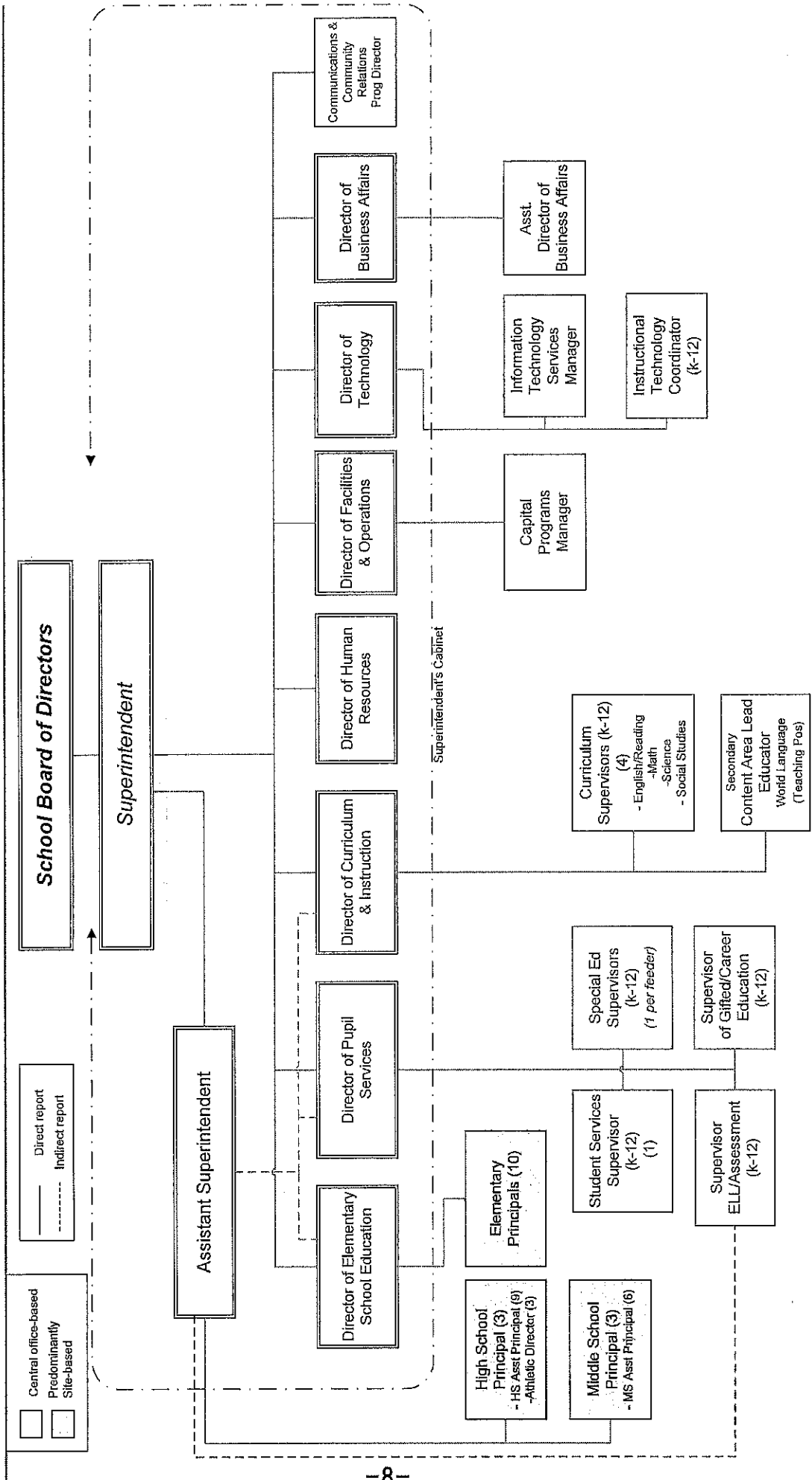
Vincent Murphy	School Board President
Heidi Adsett	School Board Vice President
Sean Carpenter	Member
Ed Coyle	Member
Karen Miller	Member
Dr. Maria Pimley	Member
Linda Raileanu	Member
Maureen Snook	Member
Susan Tiernan	Member

**District Administrators**

Dr. Jim Scanlon	Superintendent
Dr. Marc Bertrando	Assistant Superintendent
Dr. Sara Missett	Director of Elementary Education
Kevin Campbell	Director of Facilities and Operations
Dr. Robert Fraser	Director of Curriculum and Instruction
Dr. June Garwin	Director of Information Technology
Jack Hurd	Director of Human Resources
Dr. Suzanne K. Moore	Director of Business Affairs
Robert Partridge	Communications Program Director
Dr. Leigh Ann Ranieri	Director of Pupil Services

# WCASD Management Team

August, 2010



# Association of School Business Officials International



*The Certificate of Excellence in Financial Reporting Award  
is presented to*

## **West Chester Area School District**

*For Its Comprehensive Annual Financial Report (CAFR)  
For the Fiscal Year Ended June 30, 2011*

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



A handwritten signature in black ink, reading 'Brian L. Mee'.

Brian L. Mee, SFO, RSBA  
President

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

John D. Musso, CAE, RSBA  
Executive Director



**FINANCIAL  
SECTION**

INDEPENDENT AUDITORS' REPORT

Barbacane, Thornton & Company LLP

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Wilmington, Delaware 19810

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November 29, 2012

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of West Chester Area School District (the "District"), West Chester, Pennsylvania, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of West Chester Area School District's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 West Chester Area School District, West Chester, Pennsylvania, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparisons for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2012 on our consideration of West Chester Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

BARBACANE  
THORNTON  
& COMPANY  
CERTIFIED PUBLIC ACCOUNTANTS

Board of School Directors  
West Chester Area School District

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2 through 22 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise West Chester Area School District's financial statements as a whole. The accompanying schedule of expenditures of federal awards and certain state grants is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Nonprofit Organizations," and is not a required part of the financial statements. The schedule of expenditures of federal awards and certain state grants is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

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

**WEST CHESTER AREA SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED**  
**June 30, 2012**

**INTRODUCTION**

The discussion and analysis of the financial performance of West Chester Area School District (the "District") provides an overall review of the District's financial activities for the fiscal year ended June 30, 2012. 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.

Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in its Statement Number 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments," issued June 1999. Comparative information between the current year and the prior year is required to be presented in the MD&A.

**FINANCIAL HIGHLIGHTS**

- Revenues in 2011-12 remained at historical low levels. In response, the District continued cost-cutting measures to offset increases in expenses. The largest of these cost-cutting measures was a freeze on all salary increases in 2011-12. As a result of these and other cost-cutting measures, including savings achieved through debt refinancing, revenues exceeded expenses at year end. The resulting increase in fund balance was committed and assigned to help the District address future projected budget gaps.
- In 2011-12, the Board of School Directors did not raise the real estate tax rate to balance the budget. The taxpayers within Chester County continued to be assessed for real estate taxes at 18.36 mills. (Please note that one mill is equal to one-tenth of a cent, or \$0.001 of assessed value.) The Chester County tax rate was assessed based upon the equalized millage calculation, which resulted in a reduction from 14.25 mills to 14.22 mills in 2011-12.
- On an entity-wide basis, the District's total net position was \$45,484,939 at June 30, 2012. This represented an increase of \$7,087,505 from the prior year.
- On a fund level reporting basis, the District's General Fund total revenues, excluding other financing sources, were relatively flat. Increases in earned income tax, transfer tax and delinquent real estate collections were offset by the elimination of all American Reinvestment and Relocation Act (ARRA) funding and the state charter subsidy.
- On a fund level reporting basis, compared to the prior year, the District's General Fund expenditures increased \$446,722, or 0.2 percent. The largest cost for the District is salary and benefits for over 1,400+ employees. The 2011-12 salary costs decreased over prior years as result of salary freezes, attrition, staffing reductions and vacant positions. Employee benefit costs rose 10.3 percent, with the largest increase occurring in pension expenses. Increases also were seen in special education, alternative education tuitions, charter school tuitions and debt service. Savings were seen in Facilities and Operations expenses, utility expenses and transportation costs.

**WEST CHESTER AREA SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)**  
**June 30, 2012**

**OVERVIEW OF FINANCIAL STATEMENTS**

The accompanying financial statements have been prepared in accordance with GASB Statement Number 34 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 government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two entity-wide statements report the District's net position and how it has changed. Net position, the difference between the District's assets and liabilities, is one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net position are an indication of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the District, 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.

**WEST CHESTER AREA SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)**  
**June 30, 2012**

- **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.
- **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 \$45,484,939 at June 30, 2012. This represents an increase of \$7,087,505 over the prior year. The table below and on the following page presents condensed financial information for the net position of the District as of June 30, 2012 and 2011.

**Statement of Net Position**  
**June 30, 2012 and 2011**

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 64,128,115	\$ 62,636,611	\$ 1,422,543	\$ 1,317,309	\$ 65,550,658	\$ 63,953,920
Capital assets	293,795,370	300,120,945	171,996	184,236	293,967,366	300,305,181
<b>TOTAL ASSETS</b>	<b>357,923,485</b>	<b>362,757,556</b>	<b>1,594,539</b>	<b>1,501,545</b>	<b>359,518,024</b>	<b>364,259,101</b>
Current liabilities	33,790,870	32,872,927	266,637	299,413	34,057,507	33,172,340
Noncurrent liabilities	279,975,578	292,689,327	-	-	279,975,578	292,689,327
<b>TOTAL LIABILITIES</b>	<b>313,766,448</b>	<b>325,562,254</b>	<b>266,637</b>	<b>299,413</b>	<b>314,033,085</b>	<b>325,861,667</b>

**WEST CHESTER AREA SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)**  
**June 30, 2012**

**Statement of Net Position**  
**June 30, 2012 and 2011**

(cont'd)	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Net Position:						
Invested in capital assets, net of related debt	8,057,190	7,083,089	171,996	184,236	8,229,186	7,267,325
Restricted for capital projects	14,329,759	14,506,078	-	-	14,329,759	14,506,078
Unrestricted	21,770,088	15,606,135	1,155,906	1,017,896	22,925,994	16,624,031
<b>TOTAL NET POSITION</b>	<b>\$ 44,157,037</b>	<b>\$ 37,195,302</b>	<b>\$ 1,327,902</b>	<b>\$ 1,202,132</b>	<b>\$ 45,484,939</b>	<b>\$ 38,397,434</b>

The governmental activities restricted net position in the amount of \$14,329,759 is available to fund the capital improvements, the replacement of and additions to public works and improvements, and for deferred maintenance. The total unrestricted net position in the amount of \$22,925,994 included \$1,155,906 which could be used for capital and other expenditures within the District's food service program. The unrestricted net position was available to fund any unforeseen financial issues.

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 on the following page 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 decreased by \$928,841, or 0.5 percent. The largest change in revenue occurred in grants, subsidies and contributions that were not restricted. This grouping includes state and federal subsidies and it dropped \$1,919,435, or 15.27 percent. Changes in tax collection also impacted the revenue flows. While property taxes experienced a decrease of \$997,956, or 0.7 percent, other taxes, primarily earned income taxes, increased \$1,816,877, or 9.2 percent.

Expenses decreased by \$2,027,223, or one percent. While increases of \$1,969,179, or 1.7 percent, occurred in instructional spending, these were completely offset by a decrease of \$2,200,616 (12.4 percent) in operation and maintenance of plant services and a decrease of \$1,143,701 (7.3 percent) in instructional student support. These decreases were made possible by District-wide agreements with all employees and bargaining units to forgo any salary increases in the 2011-12. These agreements were made in response to the tight fiscal conditions at the District and throughout the state of Pennsylvania. In addition to this action, nonessential positions were eliminated through attrition and utility savings were achieved through effective energy management initiatives.

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

June 30, 2012

**Statement of Activities  
For the Years Ended June 30, 2012 and 2011**

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
<b>REVENUES</b>						
Program services:						
Charges for services	\$ 1,190,680	\$ 1,079,373	2,604,560	\$ 2,511,962	\$ 3,795,240	\$ 3,591,335
Operating grants and contributions	22,238,269	22,377,251	832,383	786,659	23,070,652	23,163,910
General revenues:						
Property taxes	144,010,689	145,008,645	-	-	144,010,689	145,008,645
Other taxes	21,581,847	19,764,970	-	-	21,581,847	19,764,970
Grants, subsidies and contributions not restricted	10,654,228	12,573,663	-	-	10,654,228	12,573,663
Other revenue	297,937	238,478	2,269	702	300,206	239,180
<b>TOTAL REVENUES</b>	<u>199,973,650</u>	<u>201,042,380</u>	<u>3,439,212</u>	<u>3,299,323</u>	<u>203,412,862</u>	<u>204,341,703</u>
<b>EXPENSES</b>						
Instruction	119,941,565	117,972,385	-	-	119,941,564	117,972,385
Instructional student support	14,597,033	15,740,734	-	-	14,597,033	15,740,734
Administrative/financial support	14,211,207	13,956,105	-	-	14,211,207	13,956,105
Operation and maintenance of plant services	15,529,375	17,729,991	-	-	15,529,375	17,729,991
Pupil transportation	13,365,853	13,469,612	-	-	13,365,853	13,469,612
Student activities	4,095,132	4,055,872	-	-	4,095,132	4,055,872
Community services	115,730	127,041	-	-	115,730	127,041
Interest on long-term debt	11,156,020	12,076,323	-	-	11,156,020	12,076,323
Food service	-	-	3,313,442	3,224,517	3,313,442	3,224,517
<b>TOTAL EXPENSES</b>	<u>193,011,915</u>	<u>195,128,063</u>	<u>3,313,442</u>	<u>3,224,517</u>	<u>196,325,357</u>	<u>198,352,580</u>
<b>CHANGE IN NET POSITION</b>	6,961,735	5,914,317	125,770	74,806	7,087,505	5,989,123
<b>BEGINNING NET POSITION</b>	<u>37,195,302</u>	<u>31,280,985</u>	<u>1,202,132</u>	<u>1,127,326</u>	<u>38,397,434</u>	<u>32,408,311</u>
<b>ENDING NET POSITION</b>	<u>\$44,157,037</u>	<u>\$37,195,302</u>	<u>\$1,327,902</u>	<u>\$ 1,202,132</u>	<u>\$45,484,939</u>	<u>\$ 38,397,434</u>

**EXPENSES**

The table on the following page 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 \$169,038, or 0.1 percent from 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.



**WEST CHESTER AREA SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)**  
**June 30, 2012**

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<b><u>Governmental-type Activities</u></b>				
Expenses - Governmental Activities:				
Instruction	\$119,941,565	\$117,972,385	\$103,573,468	\$101,389,094
Instructional student support	14,597,033	15,740,734	13,550,028	14,695,954
Administrative and financial support	14,211,207	13,956,105	14,211,207	13,956,105
Operation and maintenance of plant services	15,529,375	17,729,991	13,933,967	16,455,311
Pupil transportation	13,365,853	13,469,612	9,070,783	9,035,177
Student activities	4,095,132	4,055,872	3,971,763	3,936,434
Community services	115,730	127,041	115,730	127,041
Interest on long-term debt	<u>11,156,020</u>	<u>12,076,323</u>	<u>11,156,020</u>	<u>12,076,323</u>
<b>TOTAL EXPENSES</b>	<b><u>\$193,011,915</u></b>	<b><u>\$195,128,063</u></b>	<b>169,582,966</b>	<b>171,671,439</b>
Less: Grants, subsidies and contributions not restricted			<u>(10,654,228)</u>	<u>(12,573,663)</u>
<b>AMOUNT NEEDED TO BE FUNDED BY OTHER REVENUE SOURCES</b>			<b><u>\$158,928,738</u></b>	<b><u>\$159,097,776</u></b>
<b><u>Business-type Activities</u></b>				
Expenses - Business-type Activities:				
Food services	<u>\$ 3,313,442</u>	<u>\$ 3,224,517</u>	<u>\$ (123,501)</u>	<u>\$ (74,104)</u>

**THE DISTRICT FUNDS**

**General Fund**

At June 30, 2012, the District reported a General Fund fund balance of \$25,376,004, which represents 13.2 percent of total expenditures and was an increase of \$6,913,320 over the prior year. Of this amount, the District committed \$2,677,700 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, the District established a health insurance rate stabilization fund last year and increased this commitment by \$1,119,600 to bring the balance of the commitment to \$2,677,700. The District also added to the commitment for future pension costs. The District added another \$2,500,000 to the previous commitment of \$1,200,000 for PSERS costs, bringing the total commitment balance to \$3,700,000. Lastly, the District assigned \$3,473,360 of the fund balance toward Tax Rate Stabilization. These funds will be used to offset the 2013-14 budget gap and eliminate 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 its community. This philosophy conforms to the Board's belief that the tax burden should be aligned with the current funding needs of the District.

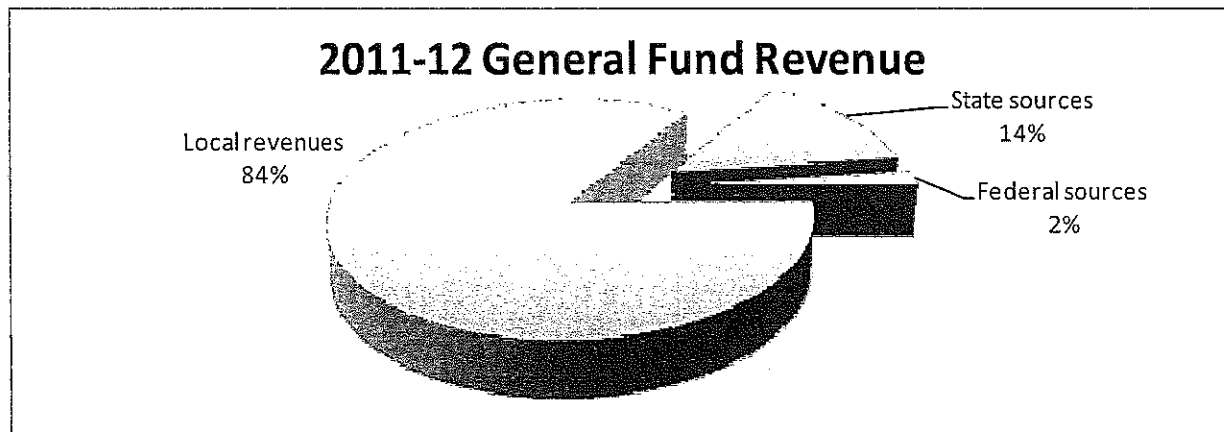
**WEST CHESTER AREA SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)**

June 30, 2012

**REVENUE**

General Fund revenues, excluding other financing sources, total \$200,317,970, which is in line with the collections in the prior year. The table below reflects a comparison of current year revenues to prior year revenues:

	<u>G/F Revenue 2012</u>	<u>Percentage of Total</u>	<u>Increase from 2011</u>	<u>Percentage Change</u>
Local revenues	\$ 167,580,433	83.7%	\$ 2,508,033	1.5%
State sources	28,615,828	14.3%	360,956	1.3%
Federal sources	4,121,709	2.0%	(2,744,767)	-40.0%
	<u>\$ 200,317,970</u>	<u>100.0%</u>	<u>\$ 124,222</u>	<u>0.1%</u>



The largest change in annual revenue collections occurred in federal sourced revenues. As the budgetary comparison statement for the General Fund shows, this was a planned budgeted reduction in federal revenue. Most of this reduction was the result of the elimination of American Reinvestment and Recovery Act (ARRA) funding. The District lost \$820,721 in ARRA IDEA funding due to the elimination of the program. The District had a \$560,198 reduction of federal pass-through spending to the Glen Mills School as a result of the elimination of the ARRA Title I program as well as changing spending patterns in Title I spending. In 2010-11, when the ARRA funding was introduced, the Governor's budget used this funding to reduce the state Basic Education Subsidy as a means to balance the state budget. Although the elimination of the ARRA funding in 2011-12 led to a reduction in federal funding of \$1,320,861, the Governor's 2011-12 budget reinstated the Basic Education subsidy to the 2010-11 levels to adjust for this loss.

The increase in the state Basic Education Subsidy as a result of ARRA elimination is difficult to see because there were a number of other changes in state revenues. While basic education subsidies increased \$1,020,603, retirement subsidy revenue increased as well. The state reimburses the District for 50 percent of the District's pension cost. The dramatic increase in the state pension rates caused

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

June 30, 2012

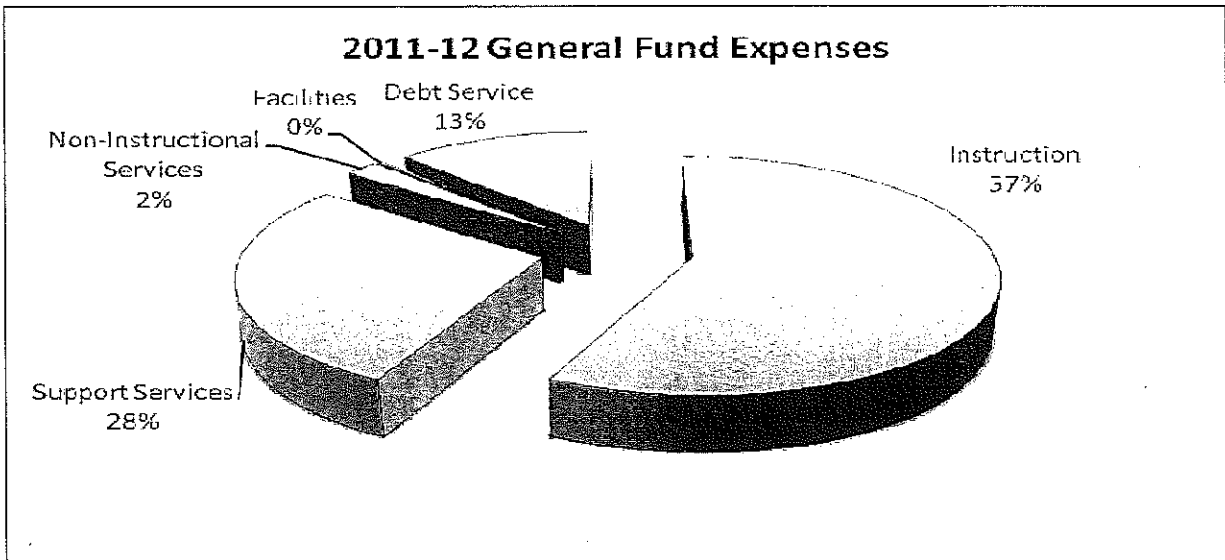
both an increase in the annual pension costs and an increase of \$1,177,164 in the related retirement subsidy reimbursement. Offsetting these increases, the State eliminated the Charter School subsidies in 2011-12 which caused a drop of \$1,478,920 in state revenues. These added with a number of smaller decreases in state subsidies led to a total increase in state subsidies of \$360,956.

Local revenues increased \$2,508,033 even with no increase in real estate tax millage rate. Instead, earned income taxes grew \$1,030,232, transfer taxes increased \$794,727 and delinquent real estate tax collection increased \$1,010,447.

**EXPENDITURES**

General Fund expenditures, excluding transfers to other governmental funds, totaled \$191,894,582. This was a small increase of \$446,722, or 0.2 percent, over the 2010-11 expenditures, and it was \$8,150,706 under the 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 2011-12 budget, are as follows:

	G/F Expenditures 2012	Percentage of Total	Increase from 2011	Variance with Final Budget
Instruction	\$ 109,607,376	57.1%	\$ 894,645	\$ 4,040,039
Support services	54,024,947	28.2%	(2,462,399)	3,200,540
Noninstructional services	4,050,198	2.1%	52,016	605,386
Facilities acquisition and construction	426,521	0.2%	(583,687)	304,679
Debt service	23,785,540	12.4%	2,546,147	62
<b>TOTAL EXPENDITURES BY FUNCTION</b>	<b>\$ 191,894,582</b>	<b>100.0%</b>	<b>\$ 446,722</b>	<b>\$ 8,150,706</b>



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

**June 30, 2012**

The District was able to keep the 2011-12 personnel spending at prior year levels as a result of a District-wide agreement with all employees and bargaining units to forgo any salary increases in 2011-12. Another factor that impacted all cost centers with personnel costs was the increase in the pension contribution rate. In 2011-12, the State increased the employer pension contribution rate from 5.64 percent to 8.65 percent. There were a number of other factors that also impacted the changes in spending over the prior year. Support service spending dropped due to changes in Facility and Operating staffing (\$866,400 in savings), utility savings from an effective energy management plan (\$678,236 in savings), student transportation savings due to rerouting initiatives (\$230,186) and attrition. Offsetting these savings were planned increases in debt service payments which increased debt service payments by \$2,546,147 over the prior year.

**Capital Projects Fund**

At June 30, 2012, the District reported a fund balance of \$793,496, which was a decrease of \$5,139,847 from June 30, 2011. The Capital Projects Fund was funded by bond funds. The District was in the process of spending down the bond funds procured in previous years to fund the design costs of the elementary school renovations, the initial renovation costs for the elementary school renovations and various other capital improvements. The fund received some minor cash inflows which were interest proceeds from bond escrow funds and a federal grant. These cash inflows were offset by \$5,299,313 in cash outflows primarily for the design costs and initial construction costs of the elementary school renovations.

**Capital Reserve Fund**

The Capital Reserve Fund had a fund balance of \$14,329,759 at June 30, 2012, which was a \$176,319 decrease from the prior year. The Capital Reserve Fund is funded by transfers from the General Fund. In 2011-12, the capital outflows from the Capital Reserve Fund were spent on technology replacements. The Capital Reserve Fund received a transfer in of \$1,500,000 from the General Fund. This transfer represented the transfer of savings from general fund maintenance projects, funding for the time and attendance system project, and debt service savings achieved by refinancing an existing bond issue.

**GENERAL FUND BUDGET**

During the fiscal year, the Board of School Directors authorizes 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 scaled back spending on all areas when possible. This is evident when reviewing the District's actual expenditures versus the approved budget. Total revenues were collected near budgeted amounts at \$1,899,031 over budget, or 1.0 percent. Total expenditures were under budget by \$8,150,706, or 4.1 percent.

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

June 30, 2012

**CAPITAL ASSETS**

At June 30, 2012, the District had \$447,021,493 invested in a broad range of governmental capital assets, including land, buildings, and furniture and equipment. This amount represents a net decrease (including additions, deletions and depreciation) of \$6,337,815, or 2.1 percent from the prior year.

The following schedule depicts the capital assets as of June 30, 2012. More detailed information about fixed assets is included in Note 6 to the financial statements.

	Governmental Activities	Business-Type Activities	Total Assets
Capital assets:			
Land	\$ 33,159,800	\$ -	\$ 33,159,800
Land improvements	14,452,651	-	14,452,651
Buildings	361,025,298	-	361,025,298
Construction-in-progress	5,946,351	-	5,946,351
Furniture and equipment	31,878,086	559,307	32,437,393
<b>TOTAL CAPITAL ASSETS</b>	<u>446,462,186</u>	<u>559,307</u>	<u>447,021,493</u>
TOTAL ACCUMULATED DEPRECIATION	<u>152,666,816</u>	<u>387,311</u>	<u>153,054,127</u>
CAPITAL ASSETS, NET	<u>\$ 293,795,370</u>	<u>\$ 171,996</u>	<u>\$ 293,967,366</u>

**DEBT ADMINISTRATION**

As of June 30, 2012, the District had total outstanding bonds and related charges of \$286,531,676, a decrease of \$12,439,523 over the prior year. During 2011-12, the District refinanced \$9,585,000 in outstanding debt to take advantage of the favorable financing market conditions. The District incurred no new debt in 2011-12. 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, 2012**

	Principal Outstanding July 1, 2011	Maturities	Additions	Principal Outstanding June 30, 2012
General obligation bonds and notes	\$ 291,539,000	\$ 21,494,000	\$ 9,585,000	\$ 279,630,000
<i>Deferred amounts:</i>				
Issuance (discounts) premium	7,324,201	577,029	76,310	6,823,482
Refunding deferred charge	107,998	29,804	-	78,194
<b>LONG-TERM DEBT</b>	<u>\$ 298,971,199</u>	<u>\$ 22,100,833</u>	<u>\$ 9,661,310</u>	<u>\$ 286,531,676</u>

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

June 30, 2012

**OTHER LONG-TERM LIABILITIES**

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

**THE DISTRICT'S FUTURE**

The challenges that the District encountered in 2011-12 continued into the 2012-13 fiscal year. The District's largest revenue stream, local revenue, is forecast with little growth over the prior year. Declining property values led to the reassessment of numerous commercial and residential properties, reducing the future real estate tax collections. The sluggish economy continues to be a concern in regard to real estate tax revenues though the District is optimistic about earned income tax projections. These projected low revenues coupled with expenses growing at cost-of-living indexes resulted in a projected budget gap in the preliminary 2012-13 budget process. In response, the District conducted its second Community Budget Task Force to develop cost-cutting initiatives to help close the projected budget gap. The Community Budget Task Force group efforts led to \$1 million in expenditure reductions or revenue increases. In addition to the Budget Task Force efforts, the District was able to reduce the expenditure budgets further through debt refinancing opportunities and the reduction of 12 District positions in 2012-13, which brings the total number of positions eliminated through attrition to 55. These initiatives allowed the Board to close the budget gap for 2012-13. In 2012-13, the budget utilizes only \$500,000 from the general fund budgetary reserves to balance the budget.

Going forward, the District has taken into consideration the impending increased pension contribution rates imposed by the state pension system, other anticipated expenditure growth and conservative revenue growth into the five-year budget projections. While currently, the District is showing a deficit in at least one of the forecasted years, the District Board and staff are working hard to develop methods to address these shortfalls and eliminate the need to draw from reserves.

Within the District's capital funds, the District initiated its 14-year long-term elementary school master plan which includes renovations and/or additions to each of its 10 elementary schools. This project was the continuation of the District's secondary school renovation program that was completed. The District has plans to renovate three elementary school buildings, with the first commencing in the summer of 2012. 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 Dr. Suzanne K. Moore, Director of Business Affairs at The West Chester Area School District, 829 Paoli Pike, West Chester, PA 19380, (484) 266-1020.

**WEST CHESTER AREA SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2012**

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 21,056,456	\$ 179,245	\$ 21,235,701
Investments	29,986,905	1,212,929	31,199,834
Investments - restricted	1,892,658	-	1,892,658
Due from other governments	1,232,213	12,786	1,244,999
Other receivables	1,461,604	7,468	1,469,072
Taxes receivable	5,130,823	-	5,130,823
Prepaid expenses	1,277,682	-	1,277,682
Inventories	-	10,115	10,115
<b>Total Current Assets</b>	<b>62,038,341</b>	<b>1,422,543</b>	<b>63,460,884</b>
<b>Noncurrent Assets:</b>			
Deferred charges	2,089,774	-	2,089,774
Capital assets			
Land	33,159,800	-	33,159,800
Construction-in-progress	5,946,351	-	5,946,351
Land improvements	14,452,651	-	14,452,651
Buildings	361,025,298	-	361,025,298
Furniture and equipment	31,878,086	559,307	32,437,393
Less: Accumulated depreciation	(152,666,816)	(387,311)	(153,054,127)
<b>Total Noncurrent Assets</b>	<b>295,885,144</b>	<b>171,996</b>	<b>296,057,140</b>
<b>TOTAL ASSETS</b>	<b>\$357,923,485</b>	<b>\$ 1,594,539</b>	<b>\$359,518,024</b>
<b>LIABILITIES AND NET POSITION</b>			
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts payable and other current liabilities	\$ 18,586,164	\$ 191,334	\$ 18,777,498
Accrued interest	2,053,135	-	2,053,135
Deferred revenues	44,571	75,303	119,874
Bonds and notes payable	13,107,000	-	13,107,000
<b>Total Current Liabilities</b>	<b>33,790,870</b>	<b>266,637</b>	<b>34,057,507</b>
<b>Noncurrent Liabilities:</b>			
Bonds and notes payable	273,424,676	-	273,424,676
Accrued severance and compensated absences	6,509,029	-	6,509,029
Other post-employment benefits	41,873	-	41,873
<b>Total Noncurrent Liabilities</b>	<b>279,975,578</b>	<b>-</b>	<b>279,975,578</b>
<b>TOTAL LIABILITIES</b>	<b>313,766,448</b>	<b>266,637</b>	<b>314,033,085</b>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	8,057,190	171,996	8,229,186
Restricted	14,329,759	-	14,329,759
Unrestricted	21,770,088	1,155,906	22,925,994
<b>TOTAL NET POSITION</b>	<b>44,157,037</b>	<b>1,327,902</b>	<b>45,484,939</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$357,923,485</b>	<b>\$ 1,594,539</b>	<b>\$359,518,024</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, 2012**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
<b>PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES:</b>						
Instruction	\$ 119,941,565	\$ 15,521,382	\$ -	\$(103,573,468)	-	\$(103,573,468)
Instructional student support	14,597,033	1,047,005	-	(13,550,028)	-	(13,550,028)
Administrative and financial support services	14,211,207	-	-	(14,211,207)	-	(14,211,207)
Operation and maintenance of plant services	15,529,375	1,374,812	-	(13,933,967)	-	(13,933,967)
Pupil transportation	13,365,853	4,295,070	-	(9,070,783)	-	(9,070,783)
Student activities	4,095,132	-	-	(3,971,763)	-	(3,971,763)
Community services	115,730	-	-	(115,730)	-	(115,730)
Interest on long-term debt	11,156,020	-	-	(11,156,020)	-	(11,156,020)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>193,011,915</b>	<b>22,238,269</b>	<b>-</b>	<b>(169,582,966)</b>	<b>-</b>	<b>(169,582,966)</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>						
Food service	3,313,442	832,383	-	-	123,501	123,501
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 3,795,240</b>	<b>\$ 23,070,652</b>	<b>\$ -</b>	<b>(169,582,966)</b>	<b>123,501</b>	<b>(169,459,465)</b>
<b>GENERAL REVENUES</b>						
Property taxes, levied for general purposes				144,010,689	-	144,010,689
Taxes levied for specific purposes				21,581,847	-	21,581,847
Grants, entitlements and contributions not restricted to specific programs				10,654,228	-	10,654,228
Investment earnings				194,070	2,269	196,339
Gain on sale of asset				9,929	-	9,929
Other				93,938	-	93,938
<b>TOTAL GENERAL REVENUES</b>				<b>176,544,701</b>	<b>2,269</b>	<b>176,546,970</b>
<b>CHANGE IN NET POSITION</b>				<b>6,961,735</b>	<b>125,770</b>	<b>7,087,505</b>
<b>NET POSITION, BEGINNING OF YEAR</b>				<b>37,195,302</b>	<b>1,202,132</b>	<b>38,397,434</b>
<b>NET POSITION, END OF YEAR</b>				<b>\$ 44,157,037</b>	<b>\$ 1,327,902</b>	<b>\$ 45,484,939</b>

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



**WEST CHESTER AREA SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2012**

	General Fund	Capital Projects Fund	Capital Reserve Fund	Other Governmental Fund	Totals
<b>ASSETS</b>					
Cash and cash equivalents	\$ 17,356,041	\$ 638,242	\$ 3,062,173	\$ -	\$ 21,056,456
Investments	17,028,638	3,182,717	9,775,550	-	29,986,905
Investments - restricted	1,892,658	-	-	-	1,892,658
Taxes receivable	5,130,823	-	-	-	5,130,823
Due from other funds	-	-	1,500,000	-	1,500,000
Due from other governments	1,232,213	-	-	-	1,232,213
Other receivables	1,420,796	40,808	-	-	1,461,604
Prepaid expenses	1,277,682	-	-	-	1,277,682
<b>TOTAL ASSETS</b>	<b>\$ 45,338,851</b>	<b>\$ 3,861,767</b>	<b>\$ 14,337,723</b>	<b>\$ -</b>	<b>\$ 63,538,341</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Accounts payable and accrued liabilities	\$ 4,103,124	\$ 3,066,925	\$ 7,964	\$ -	\$ 7,178,013
Due to other funds	1,498,654	1,346	-	-	1,500,000
Payroll accruals and withholdings	11,408,151	-	-	-	11,408,151
Deferred revenue	2,952,918	-	-	-	2,952,918
<b>TOTAL LIABILITIES</b>	<b>19,962,847</b>	<b>3,068,271</b>	<b>7,964</b>	<b>-</b>	<b>23,039,082</b>
<b>FUND BALANCES:</b>					
Nonspendable	1,277,682	-	-	-	1,277,682
Restricted	1,892,658	793,496	14,329,759	-	17,015,913
Committed	6,377,700	-	-	-	6,377,700
Assigned	3,473,360	-	-	-	3,473,360
Unassigned	12,354,604	-	-	-	12,354,604
<b>TOTAL FUND BALANCES</b>	<b>25,376,004</b>	<b>793,496</b>	<b>14,329,759</b>	<b>-</b>	<b>40,499,259</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 45,338,851</b>	<b>\$ 3,861,767</b>	<b>\$ 14,337,723</b>	<b>\$ -</b>	<b>\$ 63,538,341</b>

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, 2012**

TOTAL FUND BALANCES FOR GOVERNMENTAL FUNDS		\$ 40,499,259
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>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 \$446,462,186 and the accumulated depreciation was \$152,666,816.</p>		293,795,370
<p>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 deferred revenue in the governmental funds.</p>		2,908,347
<p>Debt issuances resulted in deferred charges which will be amortized over the life of new debt but do not represent current rights and/or obligations. These assets and liabilities consist of:</p>		
Unamortized bond issuance costs		2,089,774
<p>Other post-employment benefits (OPEB) are not financial resources and therefore are not reported in the governmental funds.</p>		(41,873)
<p>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.</p>		
Accrued interest	\$ (2,053,135)	
Bonds and notes payable in future years	(286,531,676)	
Accumulated compensated absences	(6,509,029)	
	(295,093,840)	(295,093,840)
 TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES		 \$ 44,157,037

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, 2012**

	General Fund	Capital Projects Fund	Capital Reserve Fund	Other Governmental Fund	Totals
<b>REVENUES</b>					
Local sources	\$ 167,580,433	-	\$ 20,462	-	\$ 167,600,895
State sources	28,615,828	-	-	-	28,615,828
Federal sources	4,121,709	149,992	-	-	4,271,701
<b>TOTAL REVENUES</b>	<u>200,317,970</u>	<u>149,992</u>	<u>20,462</u>	<u>-</u>	<u>200,488,424</u>
<b>EXPENDITURES</b>					
Current:					
Instruction	109,607,376	-	1,015,256	-	110,622,632
Support services	54,024,947	-	691,454	177,113	54,893,514
Operation of noninstructional services	4,050,198	-	-	-	4,050,198
Debt service:					
Principal	11,591,540	-	-	-	11,591,540
Interest	12,063,488	-	-	-	12,063,488
Fiscal agent fees	130,512	-	-	-	130,512
Capital outlays	426,521	5,299,313	-	-	5,725,834
<b>TOTAL EXPENDITURES</b>	<u>191,894,582</u>	<u>5,299,313</u>	<u>1,706,710</u>	<u>177,113</u>	<u>199,077,718</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>8,423,388</u>	<u>(5,149,321)</u>	<u>(1,686,248)</u>	<u>(177,113)</u>	<u>1,410,706</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Refund of prior year revenues	(36,146)	-	-	-	(36,146)
Refund of prior year expenditures	26,078	9,474	-	-	35,552
Proceeds from long-term debt	-	-	-	9,585,000	9,585,000
Payment to refund bonds	-	-	-	(9,484,197)	(9,484,197)
Premiums on bonds issued	-	-	-	76,310	76,310
Proceeds from sale of assets	-	-	9,929	-	9,929
Transfers in	-	-	1,500,000	-	1,500,000
Transfers out	(1,500,000)	-	-	-	(1,500,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(1,510,068)</u>	<u>9,474</u>	<u>1,509,929</u>	<u>177,113</u>	<u>186,448</u>
<b>NET CHANGE IN FUND BALANCES</b>	6,913,320	(5,139,847)	(176,319)	-	1,597,154
<b>FUND BALANCES, BEGINNING OF YEAR</b>	18,462,684	5,933,343	14,506,078	-	38,902,105
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 25,376,004</u>	<u>\$ 793,496</u>	<u>\$ 14,329,759</u>	<u>\$ -</u>	<u>\$ 40,499,259</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, 2012**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 1,597,154

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 the current period, these amounts are:

Capital outlays	\$ 5,905,677	
Depreciation expense	(12,206,758)	
Dispositions	<u>(24,494)</u>	(6,325,575)

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

Deferred tax revenues	(524,110)	
Other post-employment benefits	<u>(183,352)</u>	(707,462)

The issuance of long-term debt (e.g. bonds, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Debt issuance	(9,585,000)	
Refunded debt	9,300,000	
Principal repayments	<u>12,194,000</u>	11,909,000

Governmental funds report issuance costs as expenditures, bond discounts as other financing uses and bond premiums as other financing sources. However, these amounts are reported on the statement of net position as deferred charges and credits and are amortized over the life of the debt.

521,032

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 earned exceeded current period compensated absences paid.

(231,901)

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.

199,487

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 6,961,735

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, 2012**

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local sources	\$ 164,855,362	\$ 164,855,362	\$ 167,580,433	\$ 2,725,071
State sources	29,291,308	29,291,308	28,615,828	(675,480)
Federal sources	4,272,269	4,272,269	4,121,709	(150,560)
<b>TOTAL REVENUES</b>	<u>198,418,939</u>	<u>198,418,939</u>	<u>200,317,970</u>	<u>1,899,031</u>
<b>EXPENDITURES</b>				
Current:				
Instruction				
Regular programs, elementary/secondary	79,752,198	80,063,866	76,997,033	3,066,833
Special programs, elementary/secondary	26,969,826	27,975,189	27,248,910	726,279
Vocational education programs	4,747,639	4,742,593	4,543,897	198,696
Other instructional programs	626,785	804,810	767,512	37,298
Nonpublic school programs	32,269	25,150	21,055	4,095
Adult education programs	30,124	35,807	28,969	6,838
<b>Total Instruction</b>	<u>112,158,841</u>	<u>113,647,415</u>	<u>109,607,376</u>	<u>4,040,039</u>
Support services				
Pupil personnel	7,402,453	7,325,909	7,160,311	165,598
Instructional staff	5,864,741	5,753,725	5,081,062	672,663
Administration	10,038,207	10,041,709	9,357,804	683,905
Pupil health	2,046,740	2,062,217	1,808,091	254,126
Business	1,479,372	1,555,418	1,500,459	54,959
Operation and maintenance of plant services	16,707,075	15,156,482	14,027,496	1,128,986
Student transportation services	12,941,415	12,949,167	12,873,828	75,339
Central	2,300,930	2,233,860	2,089,509	144,351
Other support services	147,000	147,000	126,387	20,613
<b>Total Support Services</b>	<u>58,927,933</u>	<u>57,225,487</u>	<u>54,024,947</u>	<u>3,200,540</u>
Operation of noninstructional services				
Student activities	4,418,899	4,528,131	3,943,765	584,366
Community services	106,099	127,453	106,433	21,020
<b>Total Operation of Noninstructional Services</b>	<u>4,524,998</u>	<u>4,655,584</u>	<u>4,050,198</u>	<u>605,386</u>
Facilities acquisition				
Site acquisition	731,200	731,200	426,521	304,679
Debt service				
Principal, interest and fiscal agent fees	24,940,962	23,785,602	23,785,540	62
<b>TOTAL EXPENDITURES</b>	<u>201,283,934</u>	<u>200,045,288</u>	<u>191,894,582</u>	<u>8,150,706</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(2,864,995)</u>	<u>(1,626,349)</u>	<u>8,423,388</u>	<u>10,049,737</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Refund of prior year revenues	-	(65,000)	(36,146)	28,854
Refund of prior year expenditures	-	-	26,078	26,078
Budgetary reserve	-	(41,576)	-	41,576
Transfers out	(367,932)	(1,500,002)	(1,500,000)	2
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(367,932)</u>	<u>(1,606,578)</u>	<u>(1,510,068)</u>	<u>96,510</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(3,232,927)</u>	<u>(3,232,927)</u>	<u>6,913,320</u>	<u>10,146,247</u>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>18,462,684</u>	<u>18,462,684</u>	<u>18,462,684</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 15,229,757</u>	<u>\$ 15,229,757</u>	<u>\$ 25,376,004</u>	<u>\$ 10,146,247</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, 2012**

	<u>Food Service Fund</u>
<b>ASSETS</b>	
<b>CURRENT ASSETS:</b>	
Cash and cash equivalents	\$ 179,245
Investments	1,212,929
Due from other governments	12,786
Other receivables	7,468
Inventories	10,115
<b>TOTAL CURRENT ASSETS</b>	<u>1,422,543</u>
 <b>CAPITAL ASSETS:</b>	
Furniture and equipment, net	<u>171,996</u>
 <b>TOTAL ASSETS</b>	 <u><u>\$ 1,594,539</u></u>
 <b>LIABILITIES AND NET POSITION</b>	
<b>CURRENT LIABILITIES:</b>	
Accounts payable and accrued liabilities	\$ 191,334
Deferred revenue	75,303
<b>TOTAL LIABILITIES</b>	<u>266,637</u>
 <b>NET POSITION:</b>	
Invested in capital assets	171,996
Unrestricted	1,155,906
<b>TOTAL NET POSITION</b>	<u>1,327,902</u>
 <b>TOTAL LIABILITIES AND NET POSITION</b>	 <u><u>\$ 1,594,539</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, 2012**

	<u>Food Service Fund</u>
<b>OPERATING REVENUES</b>	
Food service revenues	\$ 2,604,560
<b>TOTAL OPERATING REVENUES</b>	<u>2,604,560</u>
 <b>OPERATING EXPENSES</b>	
Professional and contract services	3,217,295
Depreciation	43,048
Other operating costs	53,099
<b>TOTAL OPERATING EXPENSES</b>	<u>3,313,442</u>
 <b>OPERATING LOSS</b>	<u>(708,882)</u>
 <b>NONOPERATING REVENUES</b>	
State sources	69,678
Federal sources	760,073
Local sources	2,632
Interest income	2,269
<b>TOTAL NONOPERATING REVENUES</b>	<u>834,652</u>
 <b>CHANGE IN NET POSITION</b>	125,770
 <b>NET POSITION, BEGINNING OF YEAR</b>	<u>1,202,132</u>
 <b>NET POSITION, END OF YEAR</b>	<u><u>\$ 1,327,902</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, 2012**

	<u>Food Service Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Receipts from customers	\$ 2,612,606
Payments to suppliers	(3,188,700)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u>(576,094)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
State sources	71,895
Federal sources	659,157
Local sources	2,632
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>733,684</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Purchase of capital assets	(30,808)
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(30,808)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Purchase of investment securities and deposits to investment pools	(5,568)
Interest income	2,269
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>(3,299)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	123,483
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>55,762</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 179,245</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating loss	\$ (708,882)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	43,048
Commodities usage	117,678
Changes in assets and liabilities:	
Decrease in other receivables	933
Decrease in inventories	3,905
(Decrease) in accounts payable and accrued liabilities	(35,984)
Increase in deferred revenue	3,208
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u>\$ (576,094)</u>
<b>SUPPLEMENTAL DISCLOSURE:</b>	
<b>NONCASH NONCAPITAL FINANCING ACTIVITY:</b>	
USDA donated commodities	<u>\$ 113,773</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, 2012**

	Student Activity Funds	Other Agency Fund	Total Agency Funds	Private- Purpose Trust
<b>ASSETS</b>				
Cash and cash equivalents	\$ 318,771	\$ 58,177	\$ 376,948	\$ 586,215
Other receivables	-	24,780	24,780	-
<b>TOTAL ASSETS</b>	<b>\$ 318,771</b>	<b>\$ 82,957</b>	<b>\$ 401,728</b>	<b>\$ 586,215</b>
<b>LIABILITIES AND NET POSITION</b>				
<b>LIABILITIES:</b>				
Other current liabilities	\$ 318,771	\$ 82,957	\$ 401,728	-
<b>TOTAL LIABILITIES</b>	<b>318,771</b>	<b>82,957</b>	<b>401,728</b>	<b>-</b>
<b>NET POSITION:</b>				
Restricted	-	-	-	586,215
<b>TOTAL NET POSITION</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>586,215</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 318,771</b>	<b>\$ 82,957</b>	<b>\$ 401,728</b>	<b>\$ 586,215</b>

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

**WEST CHESTER AREA SCHOOL DISTRICT  
STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Private- Purpose Trust</u>
ADDITIONS	
Gifts and contributions	<u>\$ 957,257</u>
TOTAL ADDITIONS	<u>957,257</u>
DEDUCTIONS	
Grants	<u>947,597</u>
TOTAL DEDUCTIONS	<u>947,597</u>
CHANGE IN NET POSITION	9,660
NET POSITION, BEGINNING OF YEAR	<u>576,555</u>
NET POSITION, END OF YEAR	<u><u>\$ 586,215</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 District's 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 school 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 school 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 support.

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

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds even though the latter are excluded from the 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 assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the 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** - This capital reserve fund is used for funds set aside that are legally restricted to expenditures for specific purposes.

The District reports one nonmajor fund (debt service) which is used to record certain debt activity.

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 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.

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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.

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.

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.
- 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.

***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). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the entity-wide financial statements as "internal balances."

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

All trade and property tax receivables are shown net of any allowance for uncollectibles. There are no allowances at June 30, 2012.

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

Discount Period	-	July 1 to August 31	-	2% of gross levy
Flat Period	-	September 1 to October 31		
Penalty Period	-	November 1 to collection	-	10% of gross levy
Lien Date	-	January 15		

***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.

***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 is depreciated using the straight-line method over the following estimated useful lives:

Buildings	20-40 years
Land improvements	20 years
Furniture and equipment	3-10 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

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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.

***Accrued Severance Pay***

Administrative, 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 \$75 per day for every day of accumulated sick and personal days at retirement to a maximum \$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 types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

***Early Implementation of GASB Statements***

During the current year, the District elected to implement GASB Statement No. 61, "The Financial Reporting Entity: Omnibus." This new guidance affects the treatment of component units within the financial statements. The implementation of this new Statement did not have an effect on the District's current year financial statements.

During the current year, the District elected to implement GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." This new guidance codifies pre-1989 standards set by the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants (AICPA), which are followed for proprietary fund and entity-wide reporting. The District's notes to the financial statements have been revised to reflect the level of disclosure required by the new Statement.

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

During the current year, the District elected to implement GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position." This new guidance creates two sections to the balance sheet (deferred outflows and deferred inflows) and revises other proprietary fund and entity-wide terminology as a result of this change. The District's proprietary fund and entity-wide balance sheets have been revised to reflect the new terminology. At June 30, 2012, the District had no deferred inflows or deferred outflows.

*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 a specific purpose as per the Property and Finance Committee, the Superintendent or the Business Manager.

*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.

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 Board has provided otherwise in its commitment or assignment actions.

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.



WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 2 BUDGETARY INFORMATION

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

1. The business manager 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 hearings 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

Statutes authorize the District to invest in U.S. Treasury bills; short-term obligations of the U.S. government or its agencies; deposits in savings accounts or time deposits insured by the FDIC or the National Credit Union Share insurance fund, and for any amounts above the insured maximum, provided that approved collateral is pledged by the depository; obligations of the United States of America, the Commonwealth of Pennsylvania, any of its agencies or instrumentalities or any of its political subdivisions backed by the full faith and credit of the political subdivision; or approved local government investment pools or mutual funds.

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, 2012, the carrying amount of the District's deposits was \$22,198,864 and the bank balance was \$23,902,387. 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

Statutes authorize the District to invest in U.S. Treasury bills; short-term obligations of the U.S. government or its agencies; deposits in savings accounts or time deposits insured by the FDIC or the National Credit Union Share insurance fund, and for any amounts above the insured maximum, provided that approved collateral is pledged by the depository; obligations of the United States of America, the Commonwealth of Pennsylvania, any of its agencies or instrumentalities or any of its political subdivisions backed by the full faith and credit of the political subdivision; or approved local government investment pools or mutual funds.

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 4 INVESTMENTS (cont'd)

As of June 2012, the District had the following investments.

Investments held in the District's Name:

<u>Money Market</u>	
General fund accounts	\$ 152,908
Capital reserve fund account	65,942
Total Money Market	<u>218,850</u>
<u>Agencies and CDs</u>	
General fund accounts	10,007,320
Capital reserve fund account	9,693,986
Total Agencies and CDs	<u>19,701,306</u>
Total Investments held in the District's Name	<u>\$ 19,920,156</u>

The District purchases money market holdings, certificates of deposit ("CDs") and agencies 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 of June 30, 2012, 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. Investments are in short-term securities in accordance with the District's investment policy and school district code. All agencies purchased are highly rated by a nationally recognized rating agency. All CDs are purchased at values to stay within the FDIC insurance limits.

Pooled Investments:

<u>Pennsylvania School District Liquid Asset Fund ("PSDLAF")</u>	
General fund accounts	\$ 1,991,498
Capital reserve fund account	778
Total Pennsylvania School District Liquid Asset Fund	<u>1,992,276</u>
<u>Pennsylvania Local Government Investment Trust ("PLGIT")</u>	
Capital project fund account	3,182,717
Capital reserve fund account	14,843
Total Pennsylvania Local Government Investment Trust	<u>3,197,560</u>
<u>Pennsylvania Treasurer's Investment Program ("PTIP")</u>	
General fund account	6,769,570
Capital reserve fund account	1
Food service fund account	1,212,929
Total Pennsylvania Treasurer's Investment Program	<u>7,982,500</u>
TOTAL POOLED INVESTMENTS	<u>\$ 13,172,336</u>

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 4 INVESTMENTS (cont'd)

Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PSDLAF, PLGIT and PTIP act like money market mutual funds in that its objective is to maintain 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 of June 30, 2012, each was rated as AAA by a nationally recognized statistical rating agency.

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	\$ 3,285,357
Transfer taxes	299,500
Earned income taxes	<u>1,545,966</u>
Net Taxes Receivable	<u>\$ 5,130,823</u>

The District's evaluation of taxes resulted in no allowance for uncollectible accounts, as all taxes are deemed to be collectible through tax liens.

Governmental funds report deferred revenue 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 in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

Delinquent real estate taxes	\$ 2,908,347
Other deferred revenue	<u>44,571</u>
TOTAL	<u>\$ 2,952,918</u>

NOTE 6 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>GOVERNMENTAL ACTIVITIES</b>					
Capital assets not being depreciated:					
Land	\$ 33,159,800	\$ -	\$ -	\$ -	\$ 33,159,800
Construction-in-progress	<u>1,715,107</u>	<u>4,805,966</u>	<u>24,494</u>	<u>(550,228)</u>	<u>5,946,351</u>
Total Capital Assets Not Being Depreciated	<u>34,874,907</u>	<u>4,805,966</u>	<u>24,494</u>	<u>(550,228)</u>	<u>39,106,151</u>

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 6 CAPITAL ASSETS (cont'd)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
(cont'd)					
Capital assets being depreciated:					
Land improvements	14,452,651	-	-	-	14,452,651
Buildings	360,129,654	412,606	-	483,038	361,025,298
Furniture and equipment	31,713,443	687,105	589,852	67,190	31,878,086
Total Capital Assets Being Depreciated	406,295,748	1,099,711	589,852	550,228	407,356,035
Accumulated depreciation for:					
Land improvements	2,981,571	720,534	-	-	3,702,105
Buildings	110,781,751	9,545,291	-	-	120,327,042
Furniture and equipment	27,286,388	1,940,933	589,852	-	28,637,669
Total accumulated depreciation	141,049,710	12,206,758	589,852	-	152,666,816
Total Capital Assets Being Depreciated, Net	265,246,038	(11,107,047)	-	550,228	254,689,219
Governmental Activities, Net	\$300,120,945	\$ (6,301,081)	\$ 24,494	\$ -	\$293,795,370
BUSINESS-TYPE ACTIVITIES					
Capital assets:					
Furniture and equipment	\$ 528,499	\$ 30,808	\$ -	\$ -	\$ 559,307
Total Capital Assets	528,499	30,808	-	-	559,307
Accumulated depreciation for:					
Furniture and equipment	344,263	43,048	-	-	387,311
Total Accumulated Depreciation	344,263	43,048	-	-	387,311
Business-type Activities Capital Assets, Net	\$ 184,236	\$ (12,240)	\$ -	\$ -	\$ 171,996

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

Governmental activities:	
Instruction	\$ 7,766,878
Instructional student support	997,873
Administrative and financial support services	970,859
Operation and maintenance of plant services	1,277,213
Pupil transportation	907,969
Student activities	278,082
Community services	7,884
Total Depreciation Expense - Governmental Activities	\$ 12,206,758
Business-type Activities - Food Service	\$ 43,048

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 7 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2012 is as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General fund	\$ -	\$ 1,498,654
Capital reserve fund	1,500,000	-
Capital projects fund	-	1,346
<b>TOTAL</b>	<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>

Interfund receivables and payables 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 transferred \$1,500,000 to the capital reserve fund for the year ended June 30, 2012 to fund 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, 2012:

	<u>Principal Outstanding July 1, 2011</u>	<u>Maturities</u>	<u>Additions</u>	<u>Principal Outstanding June 30, 2012</u>	<u>Due on One Year</u>
General obligation note, Series B of 2000	\$ 5,649,000	\$1,019,000	\$ -	\$ 4,630,000	\$1,072,000
General obligation bonds, Series of 2002	1,265,000	1,265,000	-	-	-
General obligation bonds, Series of 2006	34,975,000	5,000	-	34,970,000	5,000
General obligation bonds, Series A of 2006	98,870,000	1,910,000	-	96,960,000	1,970,000
General obligation bonds, Series AA of 2006	11,820,000	1,705,000	-	10,115,000	1,765,000
General obligation bonds, Refunding Series of 2006	21,905,000	115,000	-	21,790,000	1,440,000
General obligation bonds, Refunding Series A of 2006	37,415,000	140,000	-	37,275,000	145,000
General obligation bonds, Series of 2007	9,300,000	9,300,000	-	-	-
General obligation bonds, Refunding Series of 2009	4,400,000	695,000	-	3,705,000	705,000
General obligation note, Series of 2009	9,995,000	5,000	-	9,990,000	5,000
General obligation bonds, Refunding Series of 2010	20,265,000	2,950,000	-	17,315,000	3,025,000
General obligation bonds, Refunding Series A of 2010	7,460,000	605,000	-	6,855,000	615,000

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 8 LONG-TERM DEBT (cont'd)

(continued)	Principal Outstanding July 1, 2011	Maturities	Additions	Principal Outstanding June 30, 2012	Due in One Year
General obligation bonds, Refunding Series AA of 2010	28,220,000	1,780,000	-	26,440,000	2,195,000
General obligation bonds, Refunding Series of 2011	-	-	9,585,000	9,585,000	165,000
	<u>291,539,000</u>	<u>21,494,000</u>	<u>9,585,000</u>	<u>279,630,000</u>	<u>\$13,107,000</u>
Deferred amounts:					
Issuance (discounts) premium	7,324,201	577,029	76,310	6,823,482	
Refunding deferred charge	<u>107,998</u>	<u>29,804</u>	<u>-</u>	<u>78,194</u>	
<b>LONG-TERM DEBT</b>	<u><b>\$298,971,199</b></u>	<u><b>\$22,100,833</b></u>	<u><b>\$9,661,310</b></u>	<u><b>\$286,531,676</b></u>	

**General Obligation Bonds**

Series of 2006, original principal amount of \$35,000,000, maturing May 15, 2007 through May 15, 2030, bearing interest ranging from 3.25% to 5.00%, interest payable semi-annually on May 15 and November 15. \$ 34,970,000

Series A of 2006, original principal amount of \$100,810,000, maturing May 15, 2007 through May 15, 2030, bearing interest ranging from 3.50% to 5.00%, interest payable semi-annually on May 15 and November 15. 96,960,000

Series AA of 2006, original principal amount of \$18,390,000, maturing October 1, 2006 through October 1, 2020, bearing interest ranging from 3.75% to 4.00%, interest payable semi-annually on April 1 and October 1. 10,115,000

Refunding Series of 2006, original principal amount of \$22,245,000, maturing April 15, 2007 through April 15, 2024, bearing interest ranging from 4.00% to 4.25%, interest payable semi-annually on April 15 and October 15. 21,790,000

Refunding Series A of 2006, original principal amount of \$37,935,000, maturing February 1, 2007 through February 1, 2027, bearing interest ranging from 3.50% to 4.50%, interest payable semi-annually on February 15 and August 15. 37,275,000

Series of 2009, original principal amount of \$10,700,000, maturing September 15, 2009 through September 15, 2016, bearing interest ranging from 1.75% to 3.00%, interest payable semi-annually on March 15 and September 15. 3,705,000

WEST CHESTER AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE 8 LONG-TERM DEBT (cont'd)

Refunding Series of 2010, original principal amount of \$22,330,000, maturing November 15, 2010 through November 15, 2017, bearing interest ranging from 1.25% to 2.625%, interest payable semi-annually on May 15 and November 15. 17,315,000

Refunding Series A of 2010, original principal amount of \$7,510,000, maturing May 15, 2011 through May 15, 2022, bearing interest ranging from 2.00% to 4.00%, interest payable semi-annually on May 15 and November 15. 6,855,000

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. 26,440,000

Refunding Series of 2011, original principal amount of \$9,585,000; maturing February 15, 2013 through February 15, 2029, bearing interest ranging from 2.00% to 3.20%, interest payable semi-annually on February 15 and August 15. This current refunding was undertaken to reduce total debt payments and resulted in an economic gain of \$822,959. 9,585,000

TOTAL BONDS 265,010,000

*General Obligation Notes*

Series B of 2000, original principal amount of \$13,461,000, maturing November 25, 2001 through November 25, 2015, bearing interest at a rate not to exceed 15%. Interest to be paid monthly. 4,630,000

Series of 2009, original principal amount of \$10,000,000, maturing September 15, 2010 through March 15, 2015, bearing interest at a rate not to exceed 25%. Interest to be paid monthly. 9,990,000

TOTAL NOTES 14,620,000

TOTAL BONDS AND NOTES \$279,630,000

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 8 LONG-TERM DEBT (cont'd)

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>
2013	\$ 13,107,000	\$ 11,568,931	\$ 24,675,931
2014	13,867,000	11,144,881	25,011,881
2015	14,335,000	10,682,071	25,017,071
2016	13,851,000	10,222,054	24,073,054
2017	14,310,000	9,768,486	24,078,486
2018-2022	80,480,000	39,876,679	120,356,679
2023-2027	99,070,000	20,365,048	119,435,048
2028-2030	<u>30,610,000</u>	<u>2,446,191</u>	<u>33,056,191</u>
	<u>\$279,630,000</u>	<u>\$116,074,341</u>	<u>\$395,704,341</u>

NOTE 9 CHANGES IN OTHER LONG-TERM LIABILITIES

Other long-term liabilities are summarized as follows:

	<u>Balance July 1, 2011</u>	<u>Additions (Deletions)</u>	<u>Balance June 30, 2012</u>
Accrued compensated absences	\$ 1,472,603	\$ (81,973)	\$ 1,390,630
Accrued severance	<u>4,804,525</u>	<u>313,874</u>	<u>5,118,399</u>
	<u>\$ 6,277,128</u>	<u>\$ 231,901</u>	<u>\$ 6,509,029</u>

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.



WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 11 CONSTRUCTION COMMITMENTS

As of June 30, 2012, 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 06/30/2012</u>	<u>Commitments</u>
Renovations	<u>\$ 20,805,526</u>	<u>\$ 4,517,897</u>	<u>\$ 16,287,629</u>

In addition, the District has incurred costs totaling \$1,428,454 for project costs that were not under a formal contract as of June 30, 2012.

NOTE 12 RISK MANAGEMENT

The District self-insures worker's 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 Worker's 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.

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.

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

School districts in the Commonwealth of Pennsylvania participate in a state-administered pension program. Under the program, contributions are made by each of three parties - the school district, the state and the employee. All full-time employees of the District, and part-time employees who meet certain minimum employment requirements, participate in the program.

The District's contributions for the years ended June 30, 2012, 2011 and 2010 totaled \$7,377,780, \$5,035,278 and \$4,203,795, respectively. Total covered payroll was \$85,292,259, and total payroll was \$86,232,489 for the current year. Shown on the following page is a summary of plan benefit and asset information:

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (cont'd)

Plan Description

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

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

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

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

**Annual Financial Report** - The System issues a comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Public School Employees' Retirement System, P.O. Box 125, Harrisburg, PA 17108-0123.

Funding Policy

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

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

Contributions required of employers are based upon an actuarial valuation. For the fiscal year ended June 30, 2012, the rate of employer contribution was 8.65 percent of covered payroll.

NOTE 14 OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The District provides a defined-benefit post-employment healthcare benefit, which provides medical benefits to eligible retirees and their spouses. The District has four bargaining units which participate in this plan: the West Chester Education Support Personnel, the Custodial Bargaining Unit, the teachers and the administrators. In addition, the nonbargaining staff members participate in the plan. All except administrators are eligible to receive post-retirement benefits at age 50 with 15 years of service in the District. For administrators, the eligibility requirements are age 50 with 10 years of service in the District and at least five years of service as an administrator. The employee must retire from service to receive the post-employment benefits and not work for another school district.

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 14 OTHER POST-EMPLOYMENT BENEFITS (cont'd)

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 U.S. Life; the Universal Life coverage is purchased from Genworth Financial.

Funding Policy

As established by either collective bargaining or school policy, all groups except for administrators are entitled to receive, at retirement, the single coverage provided to active employees in the Personal Choice 10/20/70 plan. Administrators receive both retiree and spousal coverage. For all other eligible retirees, the coverage is provided for the retiree only. A retiree can elect a higher coverage but the retiree must pay the difference in the premium cost. The District is responsible for funding the balance of the benefits. Teachers hired after July 1, 2003 do not receive post-retirement healthcare coverage but instead receive a \$20,000 credit to a Health Reimbursement Account at retirement.

As of July 1, 2010, the most recent valuation, the District has no segregated assets to fund this liability. It is the intention of the District to pay the premium each year as it comes due.

Funding Progress

The schedule of funding progress of OPEB is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2010	\$ -	\$26,658,307	\$26,658,307	0.00%	\$86,718,957	30.74%
7/1/2008	\$ -	\$34,304,681	\$34,304,681	0.00%	\$87,772,879	39.08%

The actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrences of events far into the future. Examples include assumptions about future employment and mortality. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made into the future. The schedule of funding progress, presented as required supplemental information following the notes to the financial statements, presents information about the actuarial value of the plan assets. In subsequent years, this schedule will present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 14 OTHER POST-EMPLOYMENT BENEFITS (cont'd)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actual value of assets, consistent with the long-term perspective of the calculations. In the July 1, 2010 actuarial valuation, the following actuarial assumptions were used:

Interest	-	4.5% compounded annually net of investment expenses
Amortization method	-	Level dollar method at the valuation interest rate
Amortization period	-	30 years
Salary increases	-	4% cost of living + merit 0.25% to 3% per year
Actuarial valuation cost method	-	Entry age normal

Annual OPEB Cost and Net OPEB Obligations

The District's annual other post-employment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution ("ARC") of the employer. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan and the changes in the District's net OPEB obligation.

Annual OPEB Cost:		
Normal cost		\$ 1,450,855
Amortization of unfunded actuarial accrued liability		1,103,119
Interest on net OPEB obligation		(6,367)
Funding adjustment		5,854
		<u>2,553,461</u>
ANNUAL OPEB COST		\$ <u>2,553,461</u>
Net OPEB Obligation (Asset):		
Normal OPEB obligation (asset) July 1, 2011		\$ (141,479)
OPEB cost for year ended June 30, 2012		2,553,461
Contribution for year ended June 30, 2012		<u>(2,370,109)</u>
NET OPEB OBLIGATION		\$ <u>41,873</u>

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 15 FUND BALANCES

As of June 30, 2012, fund balances are composed of the following:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Capital Reserve Fund</u>	<u>Total Governmental Funds</u>
Nonspendable	\$ 1,277,682	\$ -	\$ -	\$ 1,277,682
Restricted:				
Capital projects	-	793,496	14,329,759	15,123,255
Healthcare	1,892,658	-	-	1,892,658
Committed:				
PSERS	3,700,000	-	-	3,700,000
Healthcare	2,677,700	-	-	2,677,700
Assigned:				
Tax stabilization	3,349,200	-	-	3,349,200
Gate receipts	124,160	-	-	124,160
Unassigned	<u>12,354,604</u>	<u>-</u>	<u>-</u>	<u>12,354,604</u>
Total fund balances	<u>\$ 25,376,004</u>	<u>\$ 793,496</u>	<u>\$ 14,329,759</u>	<u>\$ 40,499,259</u>

NOTE 16 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 \$3,172,963 and \$3,688,225 for social security and retirement contributions, respectively. These contributions are recorded in the General Fund as revenue and expenditures.

NOTE 17 SUBSEQUENT EVENTS

On July 23, 2012, the District issued \$60,330,000 of General Obligation bonds at interest rates between 0.50 and 3.03 percent. Interest is payable semi-annually beginning November 15, 2012. The bonds mature beginning May 15, 2013 and continuing through May 15, 2032. The proceeds of the bonds were used to refund a portion of the District's outstanding General Obligation bonds, Series 2006 A and to provide \$21,000,000 in new capital funding. The debt service savings achieved through the refinancing portion of this bond issue totaled \$3,677,738.

The District has evaluated all subsequent events through November 29, 2012, the date the financial statements were available to be issued.

*REQUIRED  
SUPPLEMENTARY  
INFORMATION*

**WEST CHESTER AREA SCHOOL DISTRICT**  
**SCHEDULE OF FUNDING PROGRESS**  
**POST EMPLOYMENT BENEFITS PLAN**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2008	-	34,304,681	34,304,681	0%	87,772,879	39%
7/1/2010	-	26,658,607	26,658,607	0%	86,718,957	31%

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

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
<b>Agency Fund - Fund 40</b>				
<b>Assets</b>				
Cash and cash equivalents	50,881.00	337,297.00	330,001.00	58,177.00
Other receivables	39,774.00	24,780.00	39,774.00	24,780.00
<b>Total Assets</b>	<b>90,655.00</b>	<b>362,077.00</b>	<b>369,775.00</b>	<b>82,957.00</b>
<b>Liabilities</b>				
Other current liabilities	90,655.00	362,077.00	369,775.00	82,957.00
<b>Total Liabilities</b>	<b>90,655.00</b>	<b>362,077.00</b>	<b>369,775.00</b>	<b>82,957.00</b>
<b>Student Activity Fund - Fund 50</b>				
<b>Assets</b>				
Cash and cash equivalents	252,812.00	482,570.00	416,611.00	318,771.00
Other receivables				
<b>Total Assets</b>	<b>252,812.00</b>	<b>482,570.00</b>	<b>416,611.00</b>	<b>318,771.00</b>
<b>Liabilities</b>				
Other current liabilities	252,812.00	482,570.00	416,611.00	318,771.00
<b>Total Liabilities</b>	<b>252,812.00</b>	<b>482,570.00</b>	<b>416,611.00</b>	<b>318,771.00</b>
<b>TOTAL - ALL AGENCY FUNDS</b>				
<b>Assets</b>				
Cash and cash equivalents	303,693.00	819,867.00	746,612.00	376,948.00
Other receivables	39,774.00	24,780.00	39,774.00	24,780.00
<b>Total Assets</b>	<b>343,467.00</b>	<b>844,647.00</b>	<b>786,386.00</b>	<b>401,728.00</b>
<b>Liabilities</b>				
Other current liabilities	343,467.00	844,647.00	786,386.00	401,728.00
<b>Total Liabilities</b>	<b>343,467.00</b>	<b>844,647.00</b>	<b>786,386.00</b>	<b>401,728.00</b>



**STATISTICAL  
SECTION**

## NARRATIVE EXPLANATION OF 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 .....	57-63
<i>These schedules contain selected information from current and previous years' financial statements to allow users to assess financial trends.</i>	
Revenue Capacity.....	64-69
<i>These schedules contain information useful in assessing the District's ability to raise own-source revenue.</i>	
Debt Capacity .....	70-73
<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.....	74-76
<i>These schedules contain information about the socio-economic environment within which the District's financial activities take place.</i>	
Operating Information .....	77-81
<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>	

# FINANCIAL TRENDS

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

Fiscal Year Ending June 30,	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Governmental Activities</b>										
Invested in Capital Assets, net of related debt	-	2,523,412	4,537,401	5,479,152	3,547,104	6,429,491	9,418,873	8,903,159	7,083,089	8,057,190
Restricted: Capital Projects	-	-	-	-	-	16,378,062	13,811,178	14,641,919	14,506,078	14,329,759
Unrestricted	19,390,695	16,352,051	18,598,283	21,622,916	24,260,111	5,308,888	8,050,934	4,014,353	15,606,135	21,770,088
<b>Net Position Governmental Activities</b>	<b>19,390,695</b>	<b>18,875,463</b>	<b>23,135,684</b>	<b>27,102,068</b>	<b>27,807,215</b>	<b>28,116,441</b>	<b>31,280,985</b>	<b>27,559,431</b>	<b>37,195,302</b>	<b>44,157,037</b>
<b>Business-Type Activities</b>										
Invested in Capital Assets, net of related debt	111,244	76,015	74,139	102,695	85,434	61,439	129,768	82,865	184,236	171,996
Restricted: Capital Projects	363,367	417,749	492,486	571,134	664,896	774,183	997,558	92,273	1,017,896	1,155,906
Unrestricted	474,611	493,764	566,625	673,829	750,330	835,622	1,127,326	175,138	1,202,132	1,327,902
<b>Net Position Business Type Activities</b>	<b>474,611</b>	<b>493,764</b>	<b>566,625</b>	<b>673,829</b>	<b>750,330</b>	<b>835,622</b>	<b>1,127,326</b>	<b>175,138</b>	<b>1,202,132</b>	<b>1,327,902</b>
<b>Total Primary Government</b>										
Invested in Capital Assets, net of related debt	111,244	2,599,427	4,611,540	5,581,847	3,632,538	6,490,930	9,548,641	8,986,024	7,267,325	8,229,186
Restricted: Capital Projects	-	-	-	-	-	16,378,062	13,811,178	14,641,919	14,506,078	14,329,759
Unrestricted	19,754,062	16,769,800	19,090,769	22,194,050	24,925,007	6,083,071	9,048,492	4,106,626	16,624,031	22,925,994
<b>Net Position Primary Government</b>	<b>19,865,306</b>	<b>19,369,227</b>	<b>23,702,309</b>	<b>27,775,897</b>	<b>28,557,545</b>	<b>28,952,063</b>	<b>32,408,311</b>	<b>27,734,569</b>	<b>38,397,434</b>	<b>45,484,939</b>

Source: District Audited Financial Statements

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

Fiscal Year Ending June 30,	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>EXPENSES</b>										
Governmental Activities										
Instruction	76,389,309	81,142,609	87,072,443	90,858,202	95,791,662	103,397,524	103,973,612	113,068,220	117,972,385	119,941,565
Instructional student support	10,577,415	11,211,943	11,754,299	12,335,145	12,481,237	13,064,208	13,634,029	15,022,492	15,740,734	14,597,033
Administrative & financial support services	10,829,598	10,930,361	11,595,709	12,756,454	13,664,819	14,060,374	14,390,496	14,429,452	13,956,105	14,211,207
Operation & maintenance of plant services	11,202,959	11,836,094	12,676,081	13,704,052	16,260,118	14,830,364	16,604,260	19,486,401	17,729,991	15,529,375
Pupil transportation	9,234,230	9,673,711	10,510,995	11,349,906	11,809,273	12,846,908	13,219,823	13,674,801	13,469,612	13,365,853
Student activities	1,880,236	2,450,412	2,397,559	2,612,379	3,814,684	4,028,516	4,145,743	4,237,269	4,055,872	4,095,132
Community services	69,991	73,510	72,822	69,046	76,445	81,960	122,164	125,654	127,041	115,730
Interest on long term debt	6,580,671	8,875,581	10,630,001	12,738,063	16,367,340	13,695,699	13,361,141	13,636,798	12,076,323	11,156,020
Unallocated Depreciation Expense	6,010,290	6,201,865	6,667,621	7,051,970	7,263,812	9,898,713	12,484,452			
<b>Total Governmental Activities</b>	<b>132,774,699</b>	<b>142,396,086</b>	<b>153,377,530</b>	<b>163,475,217</b>	<b>177,529,390</b>	<b>185,904,266</b>	<b>191,935,720</b>	<b>193,681,087</b>	<b>195,128,063</b>	<b>193,011,915</b>
Business Type Activities										
Food Service	2,334,562	2,475,568	2,538,530	2,782,260	3,011,231	3,082,865	3,171,794	3,149,556	3,224,517	3,313,442
<b>TOTAL PRIMARY GOVERNMENT ACTIVITIES</b>	<b>135,109,261</b>	<b>144,871,654</b>	<b>155,916,060</b>	<b>166,257,477</b>	<b>180,540,621</b>	<b>188,987,131</b>	<b>195,107,514</b>	<b>196,830,643</b>	<b>198,352,580</b>	<b>196,325,357</b>
<b>PROGRAM REVENUE</b>										
Governmental Activities										
Charges for service										
Instruction	324,111	260,157	354,454	456,333	368,684	405,167	430,893	516,690	759,951	846,715
Operation & maint of plant	36,259	49,532	35,848	20,536	32,299	28,234	32,844	38,933	199,984	220,596
Student activities	118,574	109,462	112,865	157,321	146,031	137,451	118,783	120,723	119,438	123,369
Operating grants and contributions	17,191,078	18,052,838	21,074,847	20,562,562	21,957,660	23,277,208	22,035,332	22,493,608	22,377,251	22,238,269
Capital grants and contributions										
<b>Total Governmental Program Revenue</b>	<b>17,670,022</b>	<b>18,471,989</b>	<b>21,578,014</b>	<b>21,196,752</b>	<b>22,504,674</b>	<b>23,848,060</b>	<b>22,617,852</b>	<b>23,169,954</b>	<b>23,456,624</b>	<b>23,428,949</b>
Business Type Activities										
Charges for services	2,020,217	2,171,647	2,254,398	2,396,451	2,531,512	2,597,941	2,704,187	2,624,830	2,511,962	2,605,446
Operating grants and contributions	333,645	316,938	340,531	458,009	504,267	528,494	600,091	663,190	786,659	832,383
<b>Total Business Type Program Revenues</b>	<b>2,353,862</b>	<b>2,488,585</b>	<b>2,594,929</b>	<b>2,854,460</b>	<b>3,035,779</b>	<b>3,126,435</b>	<b>3,304,278</b>	<b>3,288,020</b>	<b>3,298,621</b>	<b>3,197,924</b>
<b>TOTAL PRIMARY GOVERNMENT REVENUES</b>	<b>20,023,884</b>	<b>20,960,574</b>	<b>24,172,943</b>	<b>24,051,212</b>	<b>25,540,453</b>	<b>26,974,495</b>	<b>25,922,130</b>	<b>26,457,974</b>	<b>26,755,245</b>	<b>26,626,873</b>
<b>NET REVENUES (EXPENSES)</b>										
Governmental Activities	(115,104,677)	(123,924,097)	(131,799,516)	(142,278,465)	(155,024,716)	(162,056,206)	(169,317,868)	(170,511,133)	(171,671,439)	(169,582,966)
Business Type Activities	19,300	13,017	56,399	72,200	24,548	43,570	132,484	138,464	74,104	123,501
<b>TOTAL PRIMARY GOVERNMENT NET REVEN</b>	<b>(115,085,377)</b>	<b>(123,911,080)</b>	<b>(131,743,117)</b>	<b>(142,206,265)</b>	<b>(155,000,168)</b>	<b>(162,012,636)</b>	<b>(169,185,384)</b>	<b>(170,372,669)</b>	<b>(171,597,335)</b>	<b>(169,459,465)</b>

Source: District Audited Financial Statements

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

Fiscal Year Ending June 30,	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Reserved								1,200,000		
Unreserved - Designed for PSERS	363,040	813,777								
Unreserved - Designed for Technology	7,623,205	5,656,067	8,287,190	8,794,148	9,631,412	7,494,323	7,861,943	10,795,399		1,277,682
Unreserved - Undesignated										1,892,658
*Non-Spendable										
*Restricted										
*Committed										
Pension									1,200,000	
Healthcare									1,558,100	
*Assigned									95,549	124,160
Gate Receipts										
Tax Stabilization										3,349,200
*Unassigned									15,609,035	12,354,604
<b>Total General Fund Fund Balance</b>	<b>7,986,245</b>	<b>6,469,844</b>	<b>8,287,190</b>	<b>8,794,148</b>	<b>9,631,412</b>	<b>7,494,323</b>	<b>7,861,943</b>	<b>11,995,399</b>	<b>18,462,684</b>	<b>25,376,004</b>
All other funds										
Reserved - Capital Projects Fund						20,341,092	6,965,394	8,316,802		
Reserved - Capital Reserve Fund						16,378,062	14,641,919	13,811,178		
Reserved - Non-Major Funds						307,300				
Unreserved - Capital Projects Fund	81,998,840	88,899,076	60,924,506	47,694,867	36,170,115					
Unreserved - Capital Reserve Fund	13,049,249	13,561,363	12,916,389	16,040,880	16,813,479					
Unreserved - Debt Service Fund					568,754					
Unreserved - Non-Major Funds	23,604	21,525	17,720	15,618	31,874	62,758	49,596	75,606		
*Restricted - Capital Projects Fund									5,838,643	793,496
*Restricted - Capital Reserve Fund									14,506,078	14,329,759
*Unrestricted - Capital Projects Fund									94,700	
<b>Total Other Funds</b>	<b>95,071,693</b>	<b>102,481,964</b>	<b>73,858,615</b>	<b>63,751,365</b>	<b>53,584,222</b>	<b>37,089,212</b>	<b>21,656,909</b>	<b>22,203,586</b>	<b>20,439,421</b>	
<b>TOTAL FUND BALANCE</b>	<b>103,057,938</b>	<b>108,951,808</b>	<b>82,145,805</b>	<b>72,545,513</b>	<b>63,215,634</b>	<b>44,583,535</b>	<b>29,518,852</b>	<b>34,198,985</b>	<b>38,902,105</b>	<b>40,499,259</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)  
(unaudited)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
<b>Governmental Fund Revenue</b>										
Local Source	111,192,968	118,143,105	129,802,122	141,224,811	149,461,478	154,427,527	156,866,132	163,508,932	165,091,475	167,600,895
State Source	21,368,451	22,058,230	24,500,908	24,480,076	26,079,099	27,227,734	29,959,702	28,990,224	28,254,872	28,615,828
Federal Source	2,093,343	2,050,272	2,645,922	2,312,323	2,649,950	2,991,122	3,130,016	4,604,950	6,866,476	4,271,701
<b>Total Governmental Revenues</b>	<b>134,614,762</b>	<b>142,251,607</b>	<b>156,948,952</b>	<b>168,017,210</b>	<b>178,190,527</b>	<b>184,646,383</b>	<b>189,955,850</b>	<b>197,104,106</b>	<b>200,212,823</b>	<b>200,488,424</b>
<b>Governmental Expenditures</b>										
Instruction	77,384,157	82,149,880	88,485,129	90,846,621	95,704,318	103,563,832	104,030,587	105,860,080	109,936,321	110,622,632
Support Services	41,823,486	44,262,156	46,980,885	49,831,849	53,260,308	56,497,225	58,954,157	58,754,657	56,682,210	54,893,514
Noninstructional Services	2,311,350	2,524,985	2,481,678	2,681,425	3,891,130	4,110,476	4,135,962	4,062,167	3,998,182	4,050,198
Fac Acq Const and Improvement	18,540,413	63,231,984	60,618,828	47,725,771	23,032,860	16,104,197	13,434,065	9,175,433	3,979,389	5,725,834
Debt Service Principal	6,985,000	7,092,000	8,222,000	9,554,000	7,983,000	10,394,000	11,216,000	12,533,569	9,394,000	12,194,000
Debt Service Interest	5,912,527	8,589,683	11,119,233	12,405,696	14,273,768	13,616,612	13,232,428	12,419,770	12,886,339	11,591,540
Short Term Borrowing										
<b>Total Governmental Expenditures</b>	<b>152,954,933</b>	<b>207,850,688</b>	<b>217,907,753</b>	<b>213,045,362</b>	<b>198,145,384</b>	<b>204,286,342</b>	<b>205,003,199</b>	<b>202,805,626</b>	<b>196,876,441</b>	<b>199,077,718</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(18,340,171)</b>	<b>(65,599,081)</b>	<b>(60,958,801)</b>	<b>(45,028,152)</b>	<b>(19,954,857)</b>	<b>(19,639,959)</b>	<b>(15,047,349)</b>	<b>(5,701,520)</b>	<b>3,336,382</b>	<b>1,410,706</b>
<b>Governmental Other Financing Sources</b>										
Bonds Issued Face	29,068,588	71,314,723	34,000,000	35,000,000	10,000,000		10,364		35,730,000	9,585,000
Refunding Bonds		43,204,333	9,953,910	132,935,504	60,707,570		10,700,000		2,676,801	1,500,000
Interfund transfers In	4,085,352	3,962,164	3,675,302	4,585,620	4,874,876	5,181,698		1,340,022	2,966,845	76,310
Other financing sources								5,057		
Debt Service Refunded		(43,018,671)	(9,771,478)	(132,500,717)	(60,070,402)	(5,181,698)	(10,648,480)	(22,310,000)	(37,330,000)	(9,484,197)
Sale of Assets										9,929
Refund of Prior Year Revenues									(36,146)	
Refund of Prior Year Expenditures	(2,800)	(7,434)	(29,634)	(6,927)	(12,190)	(140)	(79,218)	(4,813)	(107)	35,552
Interfund transfers Out	(4,085,352)	(3,962,164)	(3,675,302)	(4,585,620)	(4,874,876)			(1,340,022)	(2,676,801)	(1,500,000)
<b>Total Govmtl Other Financing Sources</b>	<b>29,065,788</b>	<b>71,492,951</b>	<b>34,152,798</b>	<b>35,427,860</b>	<b>10,624,978</b>	<b>(140)</b>	<b>(17,334)</b>	<b>10,381,654</b>	<b>1,366,738</b>	<b>186,448</b>
<b>NET CHANGE IN GOVMTL FUND BALANCE</b>	<b>10,725,617</b>	<b>5,893,870</b>	<b>(26,806,003)</b>	<b>(9,600,292)</b>	<b>(9,329,879)</b>	<b>(19,640,099)</b>	<b>(15,064,683)</b>	<b>4,680,134</b>	<b>4,703,120</b>	<b>1,597,154</b>
<b>GOVMTL FUND BALANCE, BEGINNING OF YEAR</b>	<b>92,332,320</b>	<b>103,057,937</b>	<b>108,951,807</b>	<b>82,145,804</b>	<b>72,545,512</b>	<b>63,215,633</b>	<b>44,583,534</b>	<b>29,518,851</b>	<b>34,198,985</b>	<b>38,902,105</b>
Prior Period Adjustment						1,008,000				
<b>GOVMTL FUND BALANCE, END OF YEAR</b>	<b>103,057,937</b>	<b>108,951,807</b>	<b>82,145,804</b>	<b>72,545,512</b>	<b>63,215,633</b>	<b>44,583,534</b>	<b>29,518,851</b>	<b>34,198,985</b>	<b>38,902,105</b>	<b>40,499,259</b>
Debt Service as % of Expenditures	8.4%	7.5%	8.9%	10.3%	11.2%	11.8%	11.9%	12.3%	11.3%	11.9%

Source: District's Audited Financial Statements

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

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
<b>Local</b>	<b>108,648.0</b>	<b>114,981.5</b>	<b>126,341.1</b>	<b>136,736.6</b>	<b>145,195.0</b>	<b>150,741.3</b>	<b>154,578.4</b>	<b>161,942.4</b>	<b>165,072.4</b>	<b>167,580.4</b>
Real Estate	87,718.9	93,294.9	103,061.0	110,604.6	117,752.5	123,662.8	129,795.3	138,331.6	141,220.9	140,718.6
Current	83,996.3	90,363.4	99,863.2	107,927.1	115,783.1	121,988.6	128,291.6	136,999.8	140,160.5	139,648.0
Interim	3,722.6	2,931.5	3,197.8	2,677.5	1,969.4	1,674.2	1,503.6	1,331.8	1,060.4	1,070.6
Earned Income	12,960.7	13,493.2	14,738.7	15,404.5	16,889.7	16,905.6	16,764.4	16,458.0	17,080.7	18,095.8
Real Estate Transfer	3,926.4	4,475.0	4,703.8	5,197.7	4,261.7	3,665.9	2,666.5	2,706.8	2,466.0	3,260.7
Other Taxes PURTA	160.1	183.9	144.5	190.0	203.9	198.0	188.6	208.4	218.3	225.3
Delinquent Taxes	2,845.2	2,619.0	2,348.2	2,568.5	2,442.6	2,810.3	2,944.9	3,316.2	2,805.7	3,816.1
Investment Earnings	617.6	438.1	935.6	2,250.4	3,234.1	3,051.1	1,674.8	288.0	118.4	173.6
Gate Receipts	-	-	-	-	-	-	-	-	119.4	123.4
Other	419.1	477.4	409.3	520.9	410.5	447.6	544.0	633.4	1,043.0	1,166.8
<b>State</b>	<b>21,368.5</b>	<b>22,058.2</b>	<b>24,500.9</b>	<b>24,480.3</b>	<b>26,115.3</b>	<b>27,318.3</b>	<b>30,058.0</b>	<b>28,990.2</b>	<b>28,254.9</b>	<b>28,615.9</b>
Student Subsidies	18,327.9	18,033.3	20,115.4	19,881.3	20,481.7	21,116.3	24,768.9	23,568.9	22,424.6	21,754.7
Basic Instruction	6,094.2	6,211.1	6,330.5	6,472.6	6,710.6	6,844.8	7,050.1	6,334.1	6,029.5	7,050.1
Special Education	4,805.4	4,724.3	4,791.4	4,908.9	5,004.1	5,020.6	5,087.5	5,068.4	5,080.8	5,146.9
Tuition Private Home Place't	58.4	31.8	37.8	102.0	71.3	73.6	87.4	50.6	-	17.6
Transportation	5,220.7	4,981.7	5,337.5	5,039.2	4,976.0	4,371.1	4,828.3	4,565.1	4,434.4	4,295.1
Medical, Dental & Nurse	280.1	332.3	331.7	311.9	305.6	296.3	295.6	288.7	273.8	273.9
Rent	795.5	922.3	1,953.2	1,694.6	1,334.2	1,437.4	1,519.5	1,544.7	1,074.7	1,224.8
Charter Schools	817.7	817.7	1,053.4	1,071.4	1,294.4	1,337.4	1,641.1	1,558.4	1,478.9	-
Accountability Grants	-	-	272.9	272.9	339.8	348.3	343.8	343.8	322.4	126.6
Property Tax Relief	-	-	-	-	-	-	3,592.8	3,734.6	3,708.3	3,604.0
Other	255.9	12.1	7.0	7.8	445.7	1,386.8	322.7	80.5	21.9	15.7
Teacher Subsidies	3,040.6	4,024.9	4,385.5	4,599.0	5,633.6	6,202.0	5,289.1	5,421.3	5,830.2	6,861.2
Social Security	2,647.3	2,664.3	2,771.5	2,843.5	3,012.1	3,154.7	3,232.9	3,278.1	3,319.2	3,173.0
Retirement	393.3	1,360.6	1,614.0	1,755.5	2,621.5	3,047.3	2,056.1	2,143.2	2,511.1	3,688.2
<b>Federal</b>	<b>2,690.2</b>	<b>3,011.5</b>	<b>3,957.8</b>	<b>3,626.5</b>	<b>3,878.6</b>	<b>4,231.6</b>	<b>4,438.9</b>	<b>5,901.2</b>	<b>6,866.5</b>	<b>4,121.7</b>
Title I	1,542.9	1,352.4	1,733.0	1,299.4	1,523.7	1,998.5	1,492.4	2,013.5	1,675.2	1,341.4
Title II	319.2	349.6	372.1	404.0	357.0	310.3	327.8	182.4	416.8	311.2
Basic Education ARRA Funds	-	-	-	-	-	-	-	852.0	834.0	-
IDEA - ARRA funds	-	-	-	-	-	-	418.0	669.0	820.7	7.3
Ed Jobs - ARRA	-	-	-	-	-	-	-	-	471.8	249.3
Title I - ARRA	-	-	-	-	-	-	-	-	1,235.6	1,310.3
IDEA	636.9	961.2	1,311.9	1,314.2	1,228.5	1,240.5	1,308.9	1,296.3	1,235.6	1,310.3
MA Direct Services/Time Study	32.0	162.9	336.2	455.8	594.5	562.8	760.3	722.4	768.6	773.4
Other	159.2	185.4	204.6	153.1	174.9	119.5	131.5	165.6	149.6	128.8
<b>Local Taxes &amp; Subsidies</b>	<b>132,706.7</b>	<b>140,051.2</b>	<b>154,799.8</b>	<b>164,843.4</b>	<b>175,188.9</b>	<b>182,291.3</b>	<b>189,075.3</b>	<b>196,833.8</b>	<b>200,193.7</b>	<b>200,318.0</b>

Source: Districts Audited Financial Statements



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

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
<b>Staff</b>	<b>86,665.3</b>	<b>92,205.1</b>	<b>98,092.6</b>	<b>102,058.1</b>	<b>110,044.9</b>	<b>115,830.4</b>	<b>117,168.2</b>	<b>118,858.8</b>	<b>121,408.2</b>	<b>119,821.3</b>
<b>Total Salaries</b>	<b>68,745.4</b>	<b>71,544.2</b>	<b>75,178.0</b>	<b>77,504.7</b>	<b>81,915.7</b>	<b>85,629.5</b>	<b>87,892.4</b>	<b>89,094.4</b>	<b>90,677.4</b>	<b>85,915.5</b>
<b>Administration</b>										
Reg Salaries	4,855.5	5,264.0	5,669.5	6,074.0	6,358.7	6,980.7	7,402.0	7,449.8	7,028.5	6,903.00
<b>Teachers</b>										
Reg Salaries	50,736.8	52,206.0	53,981.5	55,600.3	57,724.3	59,946.7	61,097.6	62,620.9	64,228.0	61,569.9
Extra Duty Pymnts	690.3	873.3	1,091.8	998.2	1,028.0	1,197.0	1,118.7	899.6	843.2	840.2
Sabbatical Pymnts	87.2	283.3	395.9	228.0	301.8	43.9	103.9	129.9	168.7	88.4
Subject Chair Pymnts	152.5	152.1	169.7	201.2	392.3	412.6	437.5	429.0	420.8	389.4
Severance Pymnts	499.5	41.4	398.1	251.5	304.2	245.9	245.0	288.8	356.2	158.5
Supplemental Contracts	1,116.9	1,190.1	1,202.2	1,311.7	1,980.1	2,033.1	2,124.6	2,040.0	2,014.2	1,938.0
<b>Total Teachers</b>	<b>53,283.2</b>	<b>54,746.2</b>	<b>57,239.3</b>	<b>58,590.9</b>	<b>61,730.8</b>	<b>63,879.2</b>	<b>65,127.2</b>	<b>66,408.3</b>	<b>68,031.1</b>	<b>64,984.4</b>
<b>Technical</b>										
Reg Salaries	1,865.6	2,031.9	2,040.5	2,401.2	2,500.4	2,749.5	2,765.7	2,732.6	3,087.5	2,842.4
<b>Office Clerical</b>										
Reg Salaries	4,231.4	4,645.0	5,198.6	5,522.8	5,939.6	6,292.9	6,629.3	6,531.6	6,665.1	6,068.4
<b>Crafts and Trades</b>										
Reg Salaries	4,509.7	4,857.1	5,030.1	4,915.8	5,386.2	5,727.1	5,968.2	5,972.0	5,865.2	5,117.3
<b>Benefits</b>										
Medical	7,258.2	7,784.7	9,113.4	10,377.2	11,744.7	13,233.2	13,941.8	14,400.0	14,425.3	15,607.6
Dental	1,068.5	1,119.1	1,403.4	1,381.0	1,398.9	1,504.3	1,559.6	1,418.4	1,339.6	1,306.8
Vision	156.8	183.6	180.4	151.5	154.0	161.1	167.6	153.2	140.7	140.4
Prescription	2,657.7	2,831.5	2,816.1	3,112.9	3,473.2	3,099.7	3,223.6	3,333.9	3,611.3	4,100.2
Social Security	5,266.7	5,357.9	5,623.7	5,784.1	6,095.4	6,380.7	6,535.8	6,603.7	6,667.0	6,369.0
Retirement	795.7	2,697.5	3,153.5	3,604.6	5,209.4	6,092.4	4,111.3	4,231.4	5,067.7	7,345.7
Tuition Reimbursement	607.8	689.3	974.8	896.9	946.3	887.1	977.5	1,301.5	1,113.7	728.0
Life & Disability	203.0	208.7	540.6	464.0	518.6	480.6	538.9	417.1	683.0	397.0
Wrkrs Comp/Unemply/Othe	833.2	1,217.9	606.6	615.8	731.3	728.5	911.1	708.8	649.6	720.5
<b>Total Benefits</b>	<b>18,847.4</b>	<b>22,090.1</b>	<b>24,412.5</b>	<b>26,388.1</b>	<b>30,271.8</b>	<b>32,567.6</b>	<b>31,967.2</b>	<b>32,567.9</b>	<b>33,697.9</b>	<b>36,715.2</b>
(Less) cost sharing	(927.5)	(1,429.2)	(1,498.0)	(1,834.6)	(2,142.6)	(2,366.6)	(2,691.4)	(2,803.6)	(2,967.1)	(2,809.4)
<b>Net Benefits</b>	<b>17,920.0</b>	<b>20,660.9</b>	<b>22,914.5</b>	<b>24,553.5</b>	<b>28,129.2</b>	<b>30,201.0</b>	<b>29,275.8</b>	<b>29,764.4</b>	<b>30,730.8</b>	<b>33,905.8</b>
<b>Prof. &amp; Tech. Services</b>	<b>7,663.2</b>	<b>7,847.1</b>	<b>9,083.1</b>	<b>9,814.6</b>	<b>9,696.0</b>	<b>10,700.1</b>	<b>12,146.9</b>	<b>11,585.0</b>	<b>12,080.2</b>	<b>11,987.6</b>
Substitute Service	1,333.9	1,497.7	1,732.6	1,688.2	1,732.4	1,676.0	1,668.6	1,466.8	1,457.5	1,500.1
Contracted Therapeutic Staff	567.3	567.3	746.7	461.9	523.9	682.3	1,031.9	857.8	758.3	620.8
Contracted Aides	290.2	374.7	440.2	219.2	363.6	473.9	326.3	442.5	358.5	679.2
CCIU - Special Ed Programs	2,761.3	2,477.3	2,688.9	2,120.5	2,022.9	2,242.6	2,538.9	3,099.7	3,072.8	3,235.6
Occupation/Physical Therapy				889.9	930.1	966.3	984.9	925.1	919.7	975.0
Due Process Hearings	404.6	363.7	411.7	619.1	332.4	507.9	586.9	475.5	882.8	694.8
Early Intervention	105.7	258.7	217.2	159.1	224.6	196.2	366.4	369.0	255.0	263.1
Extended School Year	43.2	17.6	210.6	333.4	395.6	410.9	497.7	620.4	626.0	447.2
Alternative Ed - Special Ed	252.5	547.1	519.2	662.9	745.1	879.9	1,077.3	1,027.4	1,241.9	949.2
Alternative Education - Reg	341.2	147.0	159.3	524.2	235.5	251.3	329.9	191.3	258.9	410.1
Tax Collection	458.3	474.8	537.2	496.6	545.9	543.3	513.0	557.0	508.9	535.9
Legal	261.1	287.9	308.9	288.1	228.2	255.0	410.9	279.9	326.8	308.4
Other	843.9	833.3	1,110.6	1,351.6	1,415.8	1,614.5	1,814.2	1,272.6	1,413.1	1,368.2
<b>Purchased Property Services</b>	<b>3,231.9</b>	<b>3,383.1</b>	<b>3,608.5</b>	<b>4,061.9</b>	<b>4,455.0</b>	<b>4,831.5</b>	<b>4,570.1</b>	<b>4,306.0</b>	<b>3,909.9</b>	<b>3,535.9</b>
Electricity	1,698.7	1,727.4	1,919.9	2,251.7	2,631.3	2,996.8	2,740.3	2,538.2	2,247.6	1,875.7
Water/Sewer	229.5	251.3	287.7	302.3	345.5	403.5	427.2	421.2	486.6	473.7
Trash Removal	79.3	89.9	90.5	146.1	136.0	155.0	148.2	122.1	122.1	122.0
Office Rental	200.1	211.7	222.0	226.8	77.9	0.8	101.6	96.9	123.1	121.3
Other	1,024.3	1,102.8	1,088.4	1,135.0	1,264.3	1,275.4	1,152.8	1,127.6	930.5	943.2

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

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
<b>Other Services</b>	<b>16,420.4</b>	<b>17,563.8</b>	<b>19,747.4</b>	<b>21,040.7</b>	<b>21,743.0</b>	<b>23,873.6</b>	<b>25,095.4</b>	<b>25,253.3</b>	<b>25,938.2</b>	<b>26,532.5</b>
Charter Schools	3,288.8	3,788.9	4,305.9	4,691.2	4,455.5	5,470.3	5,905.0	6,461.8	6,558.3	7,069.2
Tuition: Special Education	1,102.3	1,152.5	1,679.1	1,936.6	2,195.6	2,247.9	2,472.5	2,132.0	2,418.5	2,645.8
Tuition: CAT	546.5	745.4	857.7	1,028.5	1,123.7	1,187.6	1,199.5	1,382.1	1,637.5	1,683.4
Tuition: Other	50.0	84.9	21.2	25.5	106.8	95.8	104.6	102.8	248.2	443.4
Bussing: Public Schools	3,021.5	3,266.7	3,335.4	3,701.7	3,907.0	4,436.4	4,750.8	4,628.8	4,861.9	4,470.0
Bussing: Non-Public	4,119.6	4,381.8	4,257.2	4,542.5	4,801.5	4,626.8	4,983.6	4,594.4	4,655.3	4,465.9
Bussing: Special Ed	1,922.9	1,850.0	2,740.9	2,897.5	2,836.3	3,466.8	3,153.5	3,213.8	3,089.7	3,579.6
Bussing: Extracurricular	177.2	188.6	192.2	223.7	334.0	260.1	384.9	281.4	333.5	274.3
Insurance	324.7	337.7	370.7	402.9	436.5	461.9	464.0	461.4	394.2	381.8
Telephone/Postage	564.6	502.8	612.2	516.9	561.0	527.1	643.0	375.3	448.7	497.1
Other Services - Glen Mills					502.8	640.2	614.1	1,263.0	1,026.8	714.3
Other	1,302.3	1,264.5	1,374.9	1,073.6	482.3	452.7	419.9	356.5	265.7	307.7
<b>Supplies</b>	<b>4,455.2</b>	<b>5,130.1</b>	<b>4,641.8</b>	<b>5,459.0</b>	<b>5,025.7</b>	<b>6,404.7</b>	<b>6,630.3</b>	<b>5,689.8</b>	<b>4,711.7</b>	<b>4,708.2</b>
Heating Fuel	493.0	659.0	571.1	930.7	1,235.9	1,060.1	1,788.1	1,097.4	1,123.8	780.8
Other Ops/Maint Supplies	576.1	614.9	657.1	738.5	819.5	925.6	789.5	807.8	603.2	670.3
Educational	1,052.6	1,395.5	1,429.0	2,341.7	2,010.9	2,591.9	2,160.2	2,149.7	1,843.8	2,295.0
Curriculum Proposals	300.6	1,260.3	1,415.4	925.1	396.7	1,148.5	1,373.4	850.7	622.3	455.0
Educational /Admin Software	1,034.2	524.8	235.8	303.5	353.1	464.8	314.6	610.2	347.1	410.3
Administration/Business	198.6	208.5	170.3	212.1	199.8	199.5	186.4	145.8	148.0	77.1
Other	800.1	467.1	163.1	7.4	9.8	14.3	18.1	28.2	23.5	19.7
<b>Other Objects</b>	<b>220.8</b>	<b>241.8</b>	<b>255.9</b>	<b>326.7</b>	<b>283.2</b>	<b>351.4</b>	<b>262.9</b>	<b>258.0</b>	<b>226.5</b>	<b>344.7</b>
<b>Dues and Fees - Athletics</b>					-	-	-	-	99.5	94.8
<b>Property</b>	<b>3,097.0</b>	<b>2,682.5</b>	<b>2,591.5</b>	<b>709.8</b>	<b>1,748.0</b>	<b>2,335.8</b>	<b>1,133.0</b>	<b>972.9</b>	<b>1,837.1</b>	<b>1,117.4</b>
Technology Equipment	2,120.7	1,725.0	1,632.6	-	403.0	1,290.0	282.5	-	-	-
G/F maint Projects							148.8	389.9	687.5	531.7
Other Equipment	976.3	957.5	958.9	709.8	1,345.0	1,045.8	701.7	583.0	1,149.6	585.7
<b>Debt Service</b>	<b>12,060.5</b>	<b>13,864.0</b>	<b>16,571.0</b>	<b>19,845.6</b>	<b>19,825.5</b>	<b>20,106.0</b>	<b>21,626.3</b>	<b>24,436.8</b>	<b>21,236.6</b>	<b>24,023.0</b>
Bond payments	12,060.5	13,864.0	16,571.0	19,845.6	19,825.5	20,106.0	21,626.3	24,436.8	21,236.6	23,773.0
Variable Rate Delta Capital Reserve										250.0
<b>TOTAL EXPENSE</b>	<b>133,814.3</b>	<b>142,917.5</b>	<b>154,591.8</b>	<b>163,316.4</b>	<b>172,821.4</b>	<b>184,433.6</b>	<b>188,633.1</b>	<b>191,360.5</b>	<b>191,447.9</b>	<b>192,165.4</b>

Source: Districts Audited Financial Statements

# REVENUE CAPACITY

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

Fiscal Year	Millage Rate	Current Real Estate Taxes	Interim Real Estate Taxes	Delinquent Real Estate Taxes	Act 511 Taxes *	Other Local Revenues	Total Local Revenues
2002-03	12.11	83,996,345	3,722,616	2,845,168	16,887,010	1,636,716	109,087,855
2003-04	12.59	90,363,380	2,931,543	2,619,049	17,968,241	1,616,815	115,499,028
2004-05	13.55	99,863,220	3,197,823	2,348,192	19,442,443	1,489,334	126,341,012
2005-06	14.32	107,927,149	2,677,530	2,568,469	20,602,185	2,961,442	136,736,776
2006-07	15.16	115,783,148	1,969,358	2,442,606	21,151,384	3,884,889	145,231,385
2007-08	15.79	121,988,633	1,674,192	2,810,278	20,571,497	3,792,586	150,837,186
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

\* 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	2002-03 # of Parcels	Assessment Total	2003-04 # of Parcels	Assessment Total	2004-05 # of Parcels	Assessment Total	2005-06 # of Parcels	Assessment Total	2006-07 # of Parcels	Assessment Total
<b>CHESTER COUNTY</b>										
Not Identified	146	9226390	103	10917525	114	9,209,310	154	11,367,850	97	3,772,803
Commercial Properties	1483	1182749505	1491	1229255515	1,509	1,267,103,205	1,546	1,305,725,145	1,571	1,335,505,835
Farm Properties	73	24063180	74	25408310	73	24,147,650	72	23,787,140	72	23,679,630
Industrial Properties	97	156666550	94	156923440	93	157,059,220	93	157,925,660	90	151,185,990
Residential Properties	28038	5350765052	28621	5564171682	29,036	5,702,870,872	29,344	5,817,319,832	29,528	5,884,835,936
Vacant Land	1899	134706330	1461	106568720	1,160	89,505,750	963	77,494,570	959	69,842,310
<b>TOTAL CHESTER COUNTY</b>	<b>31,736</b>	<b>6,858,177,007</b>	<b>31,844</b>	<b>7,093,245,192</b>	<b>31,985</b>	<b>7,249,896,007</b>	<b>32,172</b>	<b>7,393,620,197</b>	<b>32,317</b>	<b>7,468,822,504</b>
<b>DELAWARE COUNTY</b>										
Commercial/Industrial	7	3,886,900	7	3,886,900	7	3,886,900	7	3,886,900	7	3,886,900
Residential/Farms/Vacant Land	1,585	377,828,312	1,846	419,155,141	2,028	459,262,090	2,032	508,096,636	2,067	589,333,521
<b>TOTAL DELAWARE COUNTY</b>	<b>1,592</b>	<b>381,715,212</b>	<b>1,853</b>	<b>423,042,041</b>	<b>2,035</b>	<b>463,148,990</b>	<b>2,039</b>	<b>511,983,536</b>	<b>2,074</b>	<b>593,220,421</b>
<b>GRAND TOTAL</b>	<b>33,328</b>	<b>7,239,892,219</b>	<b>33,697</b>	<b>7,516,287,233</b>	<b>34,020</b>	<b>7,713,044,997</b>	<b>34,211</b>	<b>7,905,603,733</b>	<b>34,391</b>	<b>8,062,042,925</b>
<b>CHESTER COUNTY</b>										
Not Identified	188	10,326,250	21	3,045,790	21	3,045,790	1	47,820	-	-
Commercial Properties	1,572	1,348,537,398	1,593	1,389,076,248	1,593	1,389,076,248	1,652	1,382,775,453	1,659	1,365,477,339
Farm Properties	73	23,627,660	73	23,523,120	73	23,523,120	72	23,464,210	70	22,838,800
Industrial Properties	88	149,886,680	89	150,726,520	89	150,726,520	90	151,052,080	89	150,689,470
Residential Properties	29,611	5,928,690,156	29,676	5,965,419,357	29,676	5,965,419,357	29,838	6,012,588,031	29,917	6,015,067,375
Vacant Land	981	69,079,400	1,088	68,860,100	1,088	68,860,100	1,061	59,182,350	1,044	69,623,000
<b>TOTAL CHESTER COUNTY</b>	<b>32,513</b>	<b>7,530,147,544</b>	<b>32,540</b>	<b>7,600,651,135</b>	<b>32,540</b>	<b>7,600,651,135</b>	<b>32,714</b>	<b>7,629,109,944</b>	<b>32,779</b>	<b>7,623,695,984</b>
<b>DELAWARE COUNTY</b>										
Commercial/Industrial	7	3,886,900	14	8,533,463	15	8,904,953	12	6,868,373	14	8,533,463
Residential/Farms/Vacant Land	2,067	623,278,141	2,179	633,531,318	2,187	637,527,895	2,190	630,726,093	2,190	628,332,131
<b>TOTAL DELAWARE COUNTY</b>	<b>2,074</b>	<b>627,165,041</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>GRAND TOTAL</b>	<b>34,587</b>	<b>8,157,312,585</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>

Source: District fact book

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

As of June 30th	Market Value Chester County (000)	Market Value Delaware County (000)	Total Market Value (000)	Assessed Value (000)	Ratio of Market Value to Assessed Value
2001	5,787,858	279,674	6,067,532	6,959,653	87%
2002	6,495,660	334,898	6,830,558	7,239,892	94%
2003	6,778,579	381,640	7,160,219	7,516,287	95%
2004	7,667,769	442,709	8,110,479	7,713,045	105%
2005	7,866,747	492,988	8,359,734	7,905,604	106%
2006	9,008,526	582,243	9,590,769	8,062,043	119%
2007	9,086,864	610,170	9,697,034	8,157,313	119%
2008	10,393,941	674,163	11,068,104	8,242,716	134%
2009	10,480,758	671,018	11,151,776	8,307,843	134%
2010	11,334,739	690,551	12,025,290	8,266,704	145%

*Source: State Tax Equalization Board*

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

**Chester County**

Fiscal Year	West Chester Area School District	Chester County	Township of East Bradford	Township of East Goshen	Township of Thornbury	Township of West Goshen	Township of West			Borough of West Chester
	West Chester Area School District						Whiteland	Westtown	West Chester	
2002-03	12.11	3.27	0.07	0.00	0.60	0.85	0.60	0.50	4.44	
2003-04	12.59	3.41	0.07	0.00	0.84	0.85	0.60	0.70	4.44	
2004-05	13.55	3.56	0.07	1.25	0.84	1.50	0.60	1.50	4.61	
2005-06	14.32	3.70	0.07	1.25	0.84	1.50	0.60	1.50	5.00	
2006-07	15.16	3.80	0.07	1.25	0.84	1.50	0.60	1.50	5.21	
2007-08	15.79	3.80	0.07	1.25	0.84	1.50	0.60	2.00	5.60	
2008-09	16.85	3.97	0.07	1.25	0.84	1.50	0.60	2.00	5.60	
2009-10	17.85	3.97	0.07	1.25	0.84	2.00	0.60	2.00	5.80	
2010-11	18.36	3.97	0.07	1.25	0.84	2.00	0.60	2.50	6.96	
2011-12	18.36	3.97	0.07	1.25	0.84	2.00	0.60	2.50	6.96	

Source: Chester County website

**Delaware County**

Fiscal Year	West Chester Area School District	Delaware County	Township of Thornbury
	West Chester Area School District		
2002-03	11.13	3.80	0.00
2003-04	10.20	4.10	0.00
2004-05	10.94	4.45	0.00
2006-07	11.02	4.45	0.00
2007-08	11.87	4.45	0.00
2008-09	12.94	4.83	0.00
2009-10	14.16	4.83	0.00
2010-11	14.25	5.18	0.00
2011-12	14.22	5.18	0.00

Source: DCED 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

REAL ESTATE TAX COLLECTION AS A RATIO OF LEVY

FISCAL YEAR	ASSESSED VALUATION	MILLS <sup>(2)</sup>	ADJUSTED LEVY	CURRENT COLLECTION	
				AMOUNT <sup>(1), (3)</sup>	PERCENT
2002-03	7,239,892,219	12.11	88,659,756	85,388,907	96.3%
2003-04	7,516,287,233	12.59	93,575,495	90,445,871	96.7%
2004-05	7,713,044,997	13.55	103,275,120	99,754,954	96.6%
2005-06	7,905,603,733	14.32	111,822,461	107,927,149	96.5%
2006-07	8,062,042,925	15.16	119,874,910	115,783,148	96.6%
2007-08	8,157,312,585	15.79	126,309,274	121,988,633	96.6%
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	8,264,186,266	18.36	149,110,205	143,868,716	96.5%
2011-12	8,230,042,326	18.36	148,475,677	143,876,661	96.9%

Source: District Fact Book

<sup>(1)</sup> 2008-09 through 2010-11 Includes revenue received from State designated for school district property tax reduction. Special Section Act 1 of 2006 was passed to ease the financial burden of home ownership by providing school districts the means to lower property taxes to homeowners via this funding to districts provided by gaming revenue.

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

<sup>(3)</sup> Does not include delinquent or interim taxes collected.

# DEBT CAPACITY

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

	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
Total General Fund Revenues*	135,267,221	142,293,718	156,438,761	164,843,352	175,188,902	184,383,429	189,079,944	196,838,806	200,193,855	200,328,038
Less Required Deductions if included in total Rental and Sinking Fund Reimbursement	795,489	922,287	1,953,196	1,694,624	1,334,225	1,437,374	1,519,538	1,558,427	1,074,696	1,224,820
Sale of Property and Non- recurring revenue	2,120,682	1,725,025	1,638,988			2,086,849	10,364	5,057		
Fund Transfer	2,916,171	2,647,312	3,592,184	1,694,624	1,334,225	3,524,223	1,529,902	1,563,484	1,074,696	1,224,820
Net Revenues										
<b>Borrowing Base</b>	<b>132,351,050</b>	<b>139,646,406</b>	<b>152,846,577</b>	<b>163,148,728</b>	<b>173,854,677</b>	<b>180,859,206</b>	<b>187,550,042</b>	<b>195,275,323</b>	<b>199,119,159</b>	<b>199,103,218</b>
Multiplier	225%	225%	225%	225%	225%	225%	225%	225%	225%	225%
<b>Total Nonelectoral Debt Limit</b>	<b>297,789,862</b>	<b>314,204,414</b>	<b>343,904,798</b>	<b>367,084,637</b>	<b>391,173,023</b>	<b>406,933,214</b>	<b>421,987,595</b>	<b>439,369,476</b>	<b>448,018,108</b>	<b>447,982,241</b>
Less Amount Debt Applicable to Debt Limit	210,421,483	273,859,000	299,672,000	320,923,000	325,945,000	315,556,000	304,530,000	302,533,000	291,539,000	279,630,000
<b>Total Debt Margin</b>	<b>87,368,379</b>	<b>40,345,414</b>	<b>44,232,798</b>	<b>46,161,637</b>	<b>65,228,023</b>	<b>91,377,214</b>	<b>117,457,595</b>	<b>136,836,476</b>	<b>156,479,108</b>	<b>168,352,241</b>
Ratio of Debt Limit to Debt Margin	29%	13%	13%	13%	17%	22%	28%	31%	35%	38%

Source: District Annual Financial Statements PDE 2057

\* Includes other financing sources

WEST CHESTER AREA SCHOOL DISTRICT  
Gross Principal Debt Outstanding

	Series B of 2000 Del Val Note	Refunding												Total
		Series of 2006 GOB	Series A of 2006 GOB	Series AA of 2006 GOB	Refunding Series of 2006 GOR	Series A of 2006 GOR	Series of 2009 GOB	Emmaus Note 2009	Series of 2010 GOR	Series A of 2010 GOR	Series AA of 2010 GOR	Series 2011 GOR		
2012- 2013	1,072,000	5,000	1,970,000	1,765,000	1,440,000	145,000	705,000	5,000	3,025,000	615,000	2,195,000	165,000	13,107,000	
2013- 2014	1,127,000	5,000	2,065,000	1,845,000	1,500,000	150,000	720,000	5,000	3,095,000	625,000	2,235,000	495,000	13,867,000	
2014- 2015	1,185,000	5,000	2,150,000	1,910,000	1,555,000	155,000	740,000	5,000	3,185,000	640,000	2,300,000	505,000	14,335,000	
2015- 2016	1,246,000	5,000	3,785,000	695,000	1,620,000	160,000	760,000	5,000	3,270,000	665,000	1,125,000	515,000	13,851,000	
2016- 2017	-	5,000	3,885,000	720,000	1,685,000	165,000	780,000	5,000	3,350,000	680,000	2,510,000	525,000	14,310,000	
2017- 2022	-	3,190,000	38,405,000	3,180,000	9,570,000	925,000	-	1,315,000	1,390,000	3,630,000	16,075,000	2,800,000	80,480,000	
2022- 2027	-	8,170,000	44,700,000	-	4,420,000	35,575,000	-	3,025,000	-	-	-	3,180,000	99,070,000	
2027- 2031	-	23,585,000	-	-	-	-	-	5,625,000	-	-	-	1,400,000	30,610,000	
<b>Total Principal</b>	<b>4,630,000</b>	<b>34,970,000</b>	<b>96,960,000</b>	<b>10,115,000</b>	<b>21,790,000</b>	<b>37,275,000</b>	<b>3,705,000</b>	<b>9,990,000</b>	<b>17,315,000</b>	<b>6,855,000</b>	<b>26,440,000</b>	<b>9,585,000</b>	<b>279,630,000</b>	

Source: District Debt Service Schedules

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

		Gross Debt Outstanding	Percentage Applicable to this Governmenta l Unit	Net Share of Debt
<b>Chester County</b>				
Direct Debt				
	West Chester Area School District	279,630,000	100%	279,630,000
Overlapping Debt				
	Township of East Bradford	8,119,000	100%	8,119,000
	Township of East Goshen	7,064,000	100%	7,064,000
	Township of Thornbury	-	100%	-
	Township of West Goshen	7,882,798	100%	7,882,798
	Township of West Whiteland	14,810,000	100%	14,810,000
	Township of Westtown	8,945,000	100%	8,945,000
	Borough of West Chester	25,546,000	100%	25,546,000
	Chester County	489,405,000	22%	106,380,150
<b>Total Direct and Overlapping Chester County Debt</b>				<b>458,376,948</b>
<b>Delaware County</b>				
Direct Debt				
	West Chester Area School District	279,630,000	100%	279,630,000
Overlapping Debt				
	Township of Thornbury	250,433,000	100%	250,433,000
	Delaware County	338,585,724	1%	4,862,734
<b>Total Direct and Overlapping Delaware County Debt</b>				<b>534,925,734</b>

<sup>(1)</sup> As of December 31, 2011

<sup>(2)</sup> Source: County of Chester

<sup>(3)</sup> Source: West Chester Borough

<sup>(4)</sup> Source: Township of Thornbury, Delaware County

<sup>(5)</sup> Percentage of County Debt was derived by taking WCASD population as a Percentage of

<sup>(6)</sup> 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 Monies Available	Net Bonded Debt	Ratio of Net Bonded Debt to		Population	Net Bonded Debt per Capita	Estimated Personal Income (4)	% of Personal Income
					Assessed	Bonded				
2002-03	7,239,892,219	210,421,483	-	210,421,483	2.9%	2.9%	101,207 (3)	2,079	6,608,311,065	3.2%
2003-04	7,516,287,233	273,859,000	-	273,859,000	3.6%	3.6%	101,207 (3)	2,706	6,608,311,065	4.1%
2004-05	7,713,044,997	299,672,000	-	299,672,000	3.9%	3.9%	101,207 (3)	2,961	6,608,311,065	4.5%
2005-06	7,905,603,733	320,923,000	-	320,923,000	4.1%	4.1%	101,207 (3)	3,171	6,608,311,065	4.9%
2006-07	8,062,042,925	325,945,000	-	325,945,000	4.0%	4.0%	101,207 (3)	3,221	6,608,311,065	4.9%
2007-08	8,157,312,585	315,556,000	-	315,556,000	3.9%	3.9%	101,207 (3)	3,118	6,608,311,065	4.8%
2008-09	8,242,715,916	304,530,000	-	304,530,000	3.7%	3.7%	101,207 (3)	3,009	6,608,311,065	4.6%
2009-10	8,307,842,902	302,533,000	-	302,533,000	3.6%	3.6%	108,441 (2)	2,790	7,080,655,095	4.3%
2010-11	8,266,704,410	291,539,000	-	291,539,000	3.5%	3.5%	108,441 (2)	2,688	7,080,655,095	4.1%
2011-12	8,230,042,326	279,630,000	-	279,630,000	3.4%	3.4%	108,441 (2)	2,579	7,080,655,095	3.9%

(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 Annual Financial Statements PDE 2057

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 (4)	Pennsylvania Population (4)	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

	West Chester Market Value	Chester County Per Capita Income	Pennsylvania Market Value	Pennsylvania Per Capita Income (2)
2002	\$6,830,557,700	\$3,095,793,389	\$465,911,508,800	\$211,077,886,459
2003	\$7,160,219,200	\$3,160,096,281	\$477,259,193,000	\$216,172,983,089
2004	\$8,110,478,500	\$3,488,945,787	\$523,355,991,200	\$230,858,014,152
2005	\$8,359,834,300	\$3,619,234,282	\$533,513,847,000	\$236,650,051,621
2006	\$9,590,769,200	\$3,884,233,497	\$605,480,139,100	\$249,837,190,420
2007	\$9,697,033,700	\$4,643,670,427	\$619,322,425,100	\$281,225,923,639
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

(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**

	Total households 1999	Household Income, 2010			Median Household Income, 1999 <sup>(1)</sup>
		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 <sup>(2)</sup>	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 <sup>(1)</sup>
		Total	Employed	Unemployed	
Pennsylvania					8.5%
Chester County	378,828	261,929	249,690	12,239	6.5%
West Chester Area <sup>(2)</sup>	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 <sup>(1)</sup>
Chester County	106,254	11,071	49,959	26,969	14,268	3,987
West Chester Area <sup>(2)</sup>	26,707	1,189	7,645	6,640	5,140	6,093

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

<sup>(1)</sup> Source: U S Census Bureau American Community Survey 2005-2009

<sup>(2)</sup> 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	2011 Approximate		% of 2011		2001 Approximate		% of 2001	
		Employment	Rank	Total	Rank	Employment	Rank	Total	Rank
QVC Network, Inc.	Home Shopping Network	2,730	1	5.3%	2,008	2	3.9%		
Chester County	County Government	2,569	2	5.0%	3,298	1	6.5%		
Chester County Hospital	Health Care Services	2,015	4	3.9%	1,690	3	3.3%		
West Chester University	Education	2,059	3	4.0%	1,298	6	2.5%		
West Chester Area School District	Education	1,713	5	3.4%	1,267	8	2.5%		
Communications Test Design, Inc	Communication Engineering	780	10	1.5%	910	9	1.8%		
United Parcel Service, Inc.	Delivery Services	1,025	7	2.0%	1,224	7	2.4%		
Synthes USA	Medical Supplies	1364	6	2.7%					
QVC Realty	Div. of QVC Network				1,663	4	3.3%		
Volt Human Resources	Employment Services				1,399	5	2.7%		
Comcast		854	9						
A. Duie Pyle	Trucking	894	8		807	10	1.6%		
Total		16,003			15,564				

Note: % of Total Employment uses 2000 Total West Chester Community employed population of 51,129

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

# OPERATING INFORMATION

**WEST CHESTER AREA SCHOOL DISTRICT**  
**Staffing Ratios for Professional Staff**

FISCAL YEAR	NUMBER OF SCHOOL STAFF	NUMBER OF STUDENTS	RATIO STUDENTS/STAFF
1988-89	661.7	9,448	14.3
1989-90	679.1	9,623	14.2
1990-91	695.6	9,754	14.0
1991-92	696.3	9,834	14.1
1992-93	711.6	10,174	14.3
1993-94	723.2	10,497	14.5
1994-95	737.6	10,649	14.4
1995-96	750.5	11,012	14.7
1996-97	776.15**	11,282	14.5
1997-98	788.85	11,482	14.6
1998-99	805.37**	11,638	14.4
1999-00	839.62	11,711	13.9
2000-01	849.40	11,613	13.7
2001-02	874.46	11,432	13.1
2002-03	886.26	11,590	13.1
2003-04	911.25	11,646	12.8
2004-05	945.59	11,678	12.3
2005-06	959.45	11,722	12.2
2006-07	974.53	11,789	12.1
2007-08	1,006.50	11,667	11.6
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

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

Prior to 2004-05 excluded Federal Program employees & Technology Fund employees

\*\* 1996-97 added 3 Special Education teachers for transfer of 3 CCIU classes to District  
 1998-99 added 1 Special Education teacher & 1 aide for the transfer of a CCIU program to District  
 2003-04 added 8.75 Special Education teachers for the transfer of a CCIU program to District  
 2004-05 added 17.80 teachers per curriculum proposals, Strategic Plan, & full-day kindergarten

Source: District Fact Book

WEST CHESTER AREA SCHOOL DISTRICT

DISTRICT FACILITIES

<u>Building</u>	<u>Original Construction Date</u>	<u>Addition and/or Renovation Date</u>	<u>Grades</u>	<u>Site Area (Acres)</u>	<u>Building Sq. Ft.</u>	<u>Sept. 30th 2011 Enrollment</u>
B. Rustin High School	2003-06	-	9-12	172.90	283,000	1,334
East High School	1973	1976/92/93/04	9-12	62.60	314,453	1,357
East/Fugett Athletic Fields	2004	-	-	43.35	-	----
Henderson High School	1951	1956/64/76/94/98/04	9-12	30.56	287,351	1,256
Henderson-North Campus Athletics	2006	-	-	28.40	-	----
E. N. Peirce Middle School	1963	1998/01/03	6-8	26.70	136,250	886
G. A. Stetson Middle School	1959	1961/98/03/07	6-8	38.40	134,857	913
J. R. Fugett Middle School	1969	2009	6-8	*	163,340	991
East Bradford Elementary	1958	1966/70/89	K-5	18.20	55,382	349
East Goshen Elementary	1955	1960/64/67/95/01	K-5	20.80	67,832	470
Exton Elementary	1940	1953/57/91/92/93/00	K-5	13.10	66,265	554
Fern Hill Elementary	1955	1960/89	K-5	20.00	52,353	472
Glen Acres Elementary	1966	1997	K-5	11.70	59,931	501
Hillsdale Elementary	1976	2007	K-5	20.90	70,631	594
Mary C. Howse Elementary	1962	1965/97	K-5	15.24	65,287	502
Penn Wood Elementary	1966	1970/89/01	K-5	18.60	56,162	539
Sarah W. Starkweather Elementary	1991	1998	K-5	37.90	75,094	638
Westtown-Thornbury Elementary	1954	1956/89	K-5	11.70	46,889	466
Facilities & Operations Center	1999	-	-	3.20	24,588	----
Spellman Administration	1924	1952/55/77/99	Admin	17.60	42,845	----
				611.85	2,002,510	11,822

\* Fugett acreage included in East HS site area

**WEST CHESTER AREA SCHOOL DISTRICT**  
**School District Employees by Function**  
**For the 2011-12 Fiscal Year**

Functions	Elementary	Middle	High	Other	Total
1100 Regular	302.85	172.1	233.3	17.0	725.3
1200 Special	121.7	60.3	61.0	27.6	270.6
1300 Vocational	-	14.2	13.8	-	28.0
1400 Other Instructional	4.25	-	-	-	4.25
2100 Pupil Personnel	23.8	15.0	37.0	4.6	80.4
2200 Support Instruction	15.0	6.0	7.7	10.0	38.7
2300 Administration	25.0	15.0	21.0	16.5	77.5
2400 Pupil Health	6.4	3.0	3.0	11.4	23.8
2500 Business Office	-	-	-	13.5	13.5
2600 Facilities	37.0	20.5	39.5	41.8	138.8
2700 Transportation	-	-	-	4.0	4.0
2800 Technology	-	-	-	20.0	20.0
3000 Non-Instructional	-	-	8.8	-	8.8
<b>Total 2010-11 FTEs</b>	<b>536.0</b>	<b>306.1</b>	<b>425.1</b>	<b>166.4</b>	<b>1,433.60</b>

Source: District Personnel Budget Documentation

WEST CHESTER AREA SCHOOL DISTRICT

STUDENT ENROLLMENT SUMMARY

School Year:	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-2010	2010-11	2011-12
Sp. Education	78	68	62	57	26	39	89	109	125	159	--*	--	--	--	--	--	--	--	--
End of Year	82	66	65	22	29	55	95	84	155	184	--	--	--	--	--	--	--	--	--
Kindergarten	882	862	894	866	821	789	770	765	748	726	684	683	650	660	578	628	660	611	630
(half-time)	857	852	901	874	832	783	772	758	746	728	686	690	653	668	584	620	658	609	646
**Kindergarten (full-time)	--	--	--	--	--	--	--	--	--	--	--	70	71	73	77	75	74	74	76
Grades 1-5	4360	4412	4560	4771	4865	4864	4838	4620	4358	4388	4379	4327	4375	4388	4316	4258	4290	4351	4379
End of Year	4319	4407	4563	4783	4870	4868	4832	4626	4366	4407	4391	4362	4373	4385	4295	4230	4277	4351	4385
Grades 6-8	2333	2422	2477	2477	2521	2627	2749	2792	2770	2790	2893	2824	2862	2793	2821	2803	2801	2819	2790
End of Year	2297	2422	2466	2467	2519	2607	2727	2780	2776	2772	2889	2813	2856	2788	2782	2762	2800	2812	2777
Grades 9-12	2844	2885	3019	3111	3253	3319	3265	3327	3491	3527	3690	3774	3764	3875	3875	3920	3985	3970	3947
End of Year	2752	2809	2923	3008	3141	3200	3166	3225	3330	3429	3599	3668	3686	3795	3795	3845	3908	3894	3896
TOTAL-Sept.30	10497	10649	11012	11282	11486	11638	11711	11613	11432	11590	11646	11678	11722	11789	11667	11684	11610	11825	11822
TOTAL-End of Year	10307	10556	10918	11154	11391	11513	11592	11473	11373	11520	11565	11598	11640	11708	11525	11534	11717	11740	11776
Increase/Decrease at September 30	323	152	363	270	204	152	73	-98	-181	158	56	32	44	67	-122	17	126	15	-3

West Chester Area School District

Student Market Share Analysis

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Total Out-of-District	5,265	5,164	5,250	5,125	5,035	4,945	4,948	4,772	4,371	4,334
% of Total	31.2%	30.7%	31.0%	30.4%	29.9%	29.8%	29.7%	28.8%	27.0%	26.8%
Total In-District	11,590	11,646	11,678	11,727	11,789	11,667	11,684	11,810	11,825	11,822
% of Total	68.8%	69.3%	69.0%	69.6%	70.1%	70.2%	70.3%	71.2%	73.0%	73.2%
Total Students	16,855	16,810	16,928	16,852	16,824	16,612	16,632	16,582	16,196	16,156
Share Change Year-to-Year	-1.28%	0.75%	-0.42%	0.87%	0.70%	0.23%	0.03%	1.38%	2.51%	0.22%

WCASD	11,590	11,646	11,678	11,727	11,789	11,667	11,684	11,810	11,825	11,822
Elementary	5,273	5,063	5,080	5,091	5,121	4,971	4,961	5,024	5,036	5,085
% of Total	31.3%	30.1%	30.0%	30.2%	30.4%	29.9%	29.8%	30.3%	31.1%	31.5%
Secondary	6,317	6,583	6,598	6,636	6,668	6,696	6,723	6,786	6,789	6,737
% of Total	37.5%	39.2%	39.0%	39.4%	39.6%	40.3%	40.4%	40.9%	41.9%	41.7%

Out-Of-District	5,265	5,164	5,250	5,125	5,035	4,945	4,948	4,774	4,373	4,339
Elementary	3,919	3,774	3,887	3,772	3,733	3,707	3,705	3,543	3,322	3,304
Private	216	216	179	169	186	160	185	196	171	185
% of Total	1.3%	1.3%	1.1%	1.0%	1.1%	1.0%	1.1%	1.2%	1.1%	1.1%
Religious - Catholic	2,609	2,465	2,422	2,388	2,391	2,321	2,241	2,125	1,973	1,850
% of Total	15.5%	14.7%	14.3%	14.2%	14.2%	14.0%	13.5%	12.8%	12.2%	11.5%
Religious - Other	454	448	519	442	448	446	448	394	325	375
% of Total	2.7%	2.7%	3.1%	2.6%	2.7%	2.7%	2.7%	2.4%	2.0%	2.3%
Charter	431	437	484	485	418	501	543	545	583	610
% of Total	2.6%	2.6%	2.9%	2.9%	2.5%	3.0%	3.3%	3.3%	3.6%	3.8%
Special Education	21	25	100	110	115	103	100	117	103	114
% of Total	0.1%	0.1%	0.6%	0.7%	0.7%	0.6%	0.6%	0.7%	0.6%	0.7%
CCIU	-	-	-	-	-	-	-	-	-	-
% of Total	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Alternative	-	-	-	-	-	-	-	1	2	5
% of Total	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Home School	188	183	183	178	175	176	188	165	165	165
% of Total	1.1%	1.1%	1.1%	1.1%	1.0%	1.1%	1.1%	1.0%	1.0%	1.0%
Secondary	1,346	1,390	1,363	1,353	1,302	1,238	1,243	1,231	1,051	1,035
Private	76	83	71	67	66	58	54	49	33	39
% of Total	0.5%	0.5%	0.4%	0.4%	0.4%	0.3%	0.3%	0.3%	0.2%	0.2%
Religious - Catholic	925	1,002	1,053	1,055	1,014	970	947	939	814	803
% of Total	5.5%	6.0%	6.2%	6.3%	6.0%	5.8%	5.7%	5.7%	5.0%	5.0%
Religious - Other	261	235	151	156	153	139	148	142	140	123
% of Total	1.5%	1.4%	0.9%	0.9%	0.9%	0.8%	0.9%	0.9%	0.9%	0.8%
Charter	-	-	-	-	-	-	-	-	-	-
% of Total	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Special Education	-	-	-	-	-	-	-	-	-	-
% of Total	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
CCIU	11	9	13	21	16	23	32	37	23	31
% of Total	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.2%	0.2%	0.1%	0.2%
Alternative	73	61	75	54	53	48	62	63	41	39
% of Total	0.4%	0.4%	0.4%	0.3%	0.3%	0.3%	0.4%	0.4%	0.3%	0.2%
Home School	-	-	-	-	-	-	-	1	-	-

TOTAL NO. STUDENTS	16,855	16,810	16,928	16,852	16,824	16,612	16,632	16,584	16,198	16,161
Elementary	9,192	8,837	8,967	8,863	8,854	8,678	8,666	8,567	8,358	8,389
Secondary	7,663	7,973	7,961	7,989	7,970	7,934	7,966	8,017	7,840	7,772

TOTAL NO OF BIRTHS (AGE 5)	1,180	1,172	1,252	1,188	1,264	1,236	1,191	1,248	1,234	1,150
TOTAL NO. STUDENTS	16,855	16,810	16,928	16,852	16,824	16,612	16,632	16,584	16,198	16,161
Elementary	9,192	8,837	8,967	8,863	8,854	8,678	8,666	8,567	8,358	8,389
Secondary	7,663	7,973	7,961	7,989	7,970	7,934	7,966	8,017	7,840	7,772

Facility Breakdown										
% Public	68.8%	69.3%	69.0%	69.6%	70.1%	70.2%	70.3%	71.2%	73.0%	73.2%
Schools Facilities Not WCASD										
% Private	1.7%	1.8%	1.5%	1.4%	1.5%	1.3%	1.4%	1.5%	1.3%	1.4%
% Religious	25.2%	24.7%	24.5%	24.0%	23.8%	23.3%	22.8%	21.7%	20.1%	19.5%
% Charter	2.6%	2.6%	2.9%	2.9%	2.5%	3.0%	3.3%	3.3%	3.6%	3.8%
% Special Education	0.1%	0.1%	0.6%	0.7%	0.7%	0.6%	0.6%	0.7%	0.6%	0.7%
% CCIU	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.2%	0.2%	0.1%	0.2%
% Alternative	0.4%	0.4%	0.4%	0.3%	0.3%	0.3%	0.4%	0.4%	0.3%	0.3%
% Home School	1.1%	1.1%	1.1%	1.1%	1.0%	1.1%	1.1%	1.0%	1.0%	1.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%



# SINGLE AUDIT

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

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November 29, 2012

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of West Chester Area School District, West Chester, Pennsylvania as of and for the year ended June 30, 2012, which collectively comprise West Chester Area School District's basic financial statements, and have issued our report thereon dated November 29, 2012.

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.

Internal Control Over Financial Reporting

Management of West Chester Area School District, West Chester, Pennsylvania, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered West Chester Area School District, West Chester, Pennsylvania's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of West Chester Area School District, West Chester, Pennsylvania's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

BARBACANE  
THORNTON  
& COMPANY  
CERTIFIED PUBLIC ACCOUNTANTS

Board of School Directors  
West Chester Area School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Chester Area School District's financial statements are free of 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of School Directors, management and federal awarding agencies and pass-through entities; and is not intended to be and should not be used by anyone other than these specified parties.

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

REPORT ON COMPLIANCE  
WITH REQUIREMENTS THAT COULD HAVE A  
DIRECT AND MATERIAL EFFECT ON EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133

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November 29, 2012

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

Compliance

We have audited the compliance of West Chester Area School District, West Chester, Pennsylvania, with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. West Chester Area School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and recommendations. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of West Chester Area School District's management. Our responsibility is to express an opinion on West Chester Area School District's compliance based on our audit.

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 OMB Circular A-133. Those standards and OMB Circular A-133 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 West Chester Area School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on West Chester Area School District's compliance with those requirements.

In our opinion, West Chester Area School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of West Chester Area School District, West Chester, Pennsylvania, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit,

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To the Board of School Directors  
West Chester Area School District

we considered West Chester Area School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 West Chester Area School District's internal control over compliance.

A deficiency in internal control over compliance 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, 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above.

This report is intended solely for the information and use of the Board of School Directors, management and federal awarding agencies and pass-through entities; and is not intended to be and should not be used by anyone other than these specified parties.

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

WEST CHESTER AREA SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS

**PART A - SUMMARY OF AUDITORS' RESULTS**

*Financial Statements*

Type of auditors' report issued [*unqualified, qualified, adverse or disclaimer*]:

Unqualified

Internal control over financial reporting:

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

*Federal Awards*

Internal control over major programs:

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

Type of auditors' report issued on compliance for major programs [*unqualified, qualified, adverse or disclaimer*]:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?

\_\_\_\_\_ Yes   X   No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010, 84.389	Title I, Part A Cluster
84.027, 84.173	Special Education Cluster (IDEA)
93.778	Medical Assistance Program

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

\$ 300,000

Auditee qualified as low-risk auditee?

\_\_\_\_\_ Yes   X   No

WEST CHESTER AREA SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

PART B - FINDINGS RELATED TO FINANCIAL STATEMENTS

STATUS OF PRIOR YEAR FINDINGS

PERSONNEL FILES

11-1 Finding

Condition

During our prior year audit, we sampled 40 personnel files to ensure that proper documentation was being maintained for existing employees. We noted that nine individuals selected in our sample did not have Form I-9, "Employment Eligibility Verification."

Criteria

In accordance with federal law, employers are required to have employees verify his or her identity and employment authorization through completion of Form I-9, "Employment Eligibility Verification." Employers are required to maintain these forms for employees hired after November 6, 1986.

Effect

The District was noncompliant with federal law and may have hired individuals who are not authorized to work in the United States.

Cause

Inconsistent implementation of Human Resources policies during the hiring process.

Recommendation

We recommended that the District review all personnel records for existing employees to ensure that appropriate documentation is completed and maintained.

Status

During our current year audit, we noted that the District completed its review of personnel records and obtained Form I-9 for employees for whom documentation had been missing. This finding is no longer applicable.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

WEST CHESTER AREA SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND RECOMMENDATIONS (cont'd)

**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 AND CERTAIN STATE GRANTS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

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 (Deferred) Revenue 07/01/11	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue 06/30/12
<b>U.S. Department of Education</b>										
Passed through PA Department of Education										
Adult Education - Basic Grants to States	I	84.002	041-119101	07/01/10-06/30/11	\$ 18,792	\$ 10,962	\$ 10,962	\$ -	\$ -	\$ -
Title I Grants to Local Education Agencies	I	84.010	013-110470	07/01/10-09/30/11	457,663	116,516	104,689	11,827	11,827	-
Title I Grants to Local Education Agencies	I	84.010	013-120470	07/01/11-09/30/12	441,244	360,993	-	429,148	429,148	68,155
Title I Grants to Local Education Agencies	I	84.010	077-110470	07/01/10-09/30/11	5,000	5,000	-	5,000	5,000	-
Title I Grants to Local Education Agencies	I	84.010	107-110470	07/01/10-09/30/11	1,318,080	885,718	123,856	761,862	761,862	-
Title I Grants to Local Education Agencies	I	84.010	107-110470	07/01/10-09/30/11	1,035,712	343,798	-	133,550	133,550	(210,248)
Total CFDA #84.010					1,712,025	1,712,025	228,545	1,341,387	1,341,387	(142,093)
English Language Acquisition Grants	I	84.365	010-110470	07/01/10-09/30/11	96,827	67,034	13,072	53,962	53,962	-
English Language Acquisition Grants	I	84.365	010-120470	07/01/11-09/30/12	109,053	28,318	-	50,817	50,817	22,499
Total CFDA #84.365					205,880	95,352	13,072	104,779	104,779	22,499
Improving Teacher Quality State Grants	I	84.367	020-110470	07/01/10-09/30/11	344,610	229,290	62,841	176,449	176,449	-
Improving Teacher Quality State Grants	I	84.367	020-120470	07/01/11-09/30/12	292,642	98,058	-	134,770	134,770	36,712
Total CFDA #84.367					637,252	327,348	62,841	311,219	311,219	36,712
Title I Grants to Local Education Agencies, Recovery Act	I	84.389	133-100470	07/01/09-09/30/11	1,011,451	120,108	(129,224)	249,332	249,332	-
State Fiscal Stabilization Fund - Education State Grants, Recovery Act	I	84.394	126-100470	07/01/10-06/30/11	834,020	139,003	139,003	-	-	-
ARRA Education Jobs Fund	I	84.410	140-119403	07/01/11-06/30/12	7,302	-	-	7,302	7,302	7,302
Adult Literacy	S	N/A	059-110095	07/01/10-06/30/11	3,895	2,272	2,272	-	-	-
Passed through Chester County O.I.C.										
Adult Education - Basic Grants to States	I	84.002	041-129101	07/01/11-06/30/12	24,000	22,000	-	24,000	24,000	2,000
Total CFDA #84.002					24,000	32,962	10,962	24,000	24,000	2,000
Adult Literacy	S	N/A	059-120095	07/01/11-06/30/12	4,969	4,655	-	4,969	4,969	414
Passed through Chester County I.U.										
IDEA Special Education - Grants to States	I	84.027	N/A	07/01/10-06/30/11	1,235,639	104,140	104,140	-	-	-
IDEA Special Education - Grants to States	I	84.027	N/A	07/01/11-06/30/12	1,234,363	1,065,040	-	1,290,509	1,290,509	225,469
Total CFDA #84.027					2,470,002	1,169,180	104,140	1,290,509	1,290,509	225,469
IDEA Special Education - Preschool Grants	I	84.173	N/A	07/01/11-06/30/12	19,775	19,775	-	19,775	19,775	-
IDEA Special Education - Grants to States	I	84.391	030-098811	02/17/09-09/30/11	1,907,771	467,292	467,232	-	-	-
Total U.S. DEPARTMENT OF EDUCATION					4,089,812	4,089,812	888,843	3,353,272	3,353,272	152,303
<b>U.S. Dept of Health and Human Services</b>										
Passed through PA Dept of Public Welfare										
Title XIX Medical Assistance Program	I	93.778	N/A	07/01/11-06/30/12	205,481	205,481	39,000	166,481	166,481	-
Total U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					205,481	205,481	39,000	166,481	166,481	-
U.S. Environmental Protection Agency Climate Showcase Communities Grant	D	66.041	N/A	01/01/10-01/31/12	149,992	149,992	-	149,992	149,992	-
Total U.S. ENVIRONMENTAL PROTECTION AGENCY					149,992	149,992	-	149,992	149,992	-

Continued on next page.

**WEST CHESTER AREA SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS  
FOR THE YEAR ENDED JUNE 30, 2012**

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 (Deferred) Revenue 07/01/11	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue 06/30/12
<b>U.S. Department of Agriculture</b>										
Passed through PA Department of Agriculture										
Value of USDA Donated Commodities	I	10.555	N/A	07/01/10-06/30/11	N/A	-	(14,020)	14,020	14,020	-
Value of USDA Donated Commodities	I	10.555	N/A	07/01/11-06/30/12	N/A	113,773	-	103,658	103,658	(10,115)
Passed through PA Department of Education										
National School Lunch Program	I	10.555	362	07/01/11-06/30/12	N/A	547,038	22,221	533,061	533,061	8,244
Total CFDA #10.555						660,811	8,201	650,739	650,739	(1,871)
School Breakfast Program	I	10.553	365	07/01/11-06/30/12	N/A	90,900	4,442	89,137	89,137	2,679
School Breakfast Program	I	10.553	367	07/01/11-06/30/12	N/A	21,219	1,623	20,197	20,197	601
Total CFDA #10.553						112,119	6,065	109,334	109,334	3,280
School Breakfast Program	S	N/A	510	07/01/11-06/30/12	N/A	62,343	2,934	60,397	60,397	988
National School Lunch Program	S	N/A	511	07/01/11-06/30/12	N/A	9,552	545	9,281	9,281	274
Subtotal						71,895	3,479	69,678	69,678	1,262
						844,825	17,745	829,751	829,751	2,671
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>						\$ 5,290,110	\$ 945,588	\$ 4,499,496	\$ 4,499,496	\$ 154,974
<b>TOTAL FEDERAL AWARDS AND CERTAIN STATE GRANTS</b>						\$ 5,211,388	\$ 939,837	\$ 4,424,849	\$ 4,424,849	\$ 153,298
TOTAL STATE GRANTS						78,722	5,751	74,647	74,647	1,676
TOTAL FEDERAL AWARDS AND CERTAIN STATE GRANTS						\$ 5,290,110	\$ 945,588	\$ 4,499,496	\$ 4,499,496	\$ 154,974
<b>TITLE I PART A CLUSTER</b>						\$ 1,832,133	\$ 99,321	\$ 1,590,719	\$ 1,590,719	\$ (142,093)
<b>SPECIAL EDUCATION CLUSTER (IDEA)</b>						\$ 1,656,187	\$ 571,372	\$ 1,310,284	\$ 1,310,284	\$ 225,469
<b>CHILD NUTRITION CLUSTER</b>						\$ 772,930	\$ 14,266	\$ 760,073	\$ 760,073	\$ 1,409

**Source Codes:**

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

WEST CHESTER AREA SCHOOL DISTRICT

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

NOTE A BASIS OF PRESENTATION

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

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 and Certain State Grants under CFDA #10.555 (Value of USDA Commodities) represent surplus food consumed by the District during the 2011-2012 fiscal year. The District has food commodities totaling \$10,115 in inventory as of June 30, 2012.

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, 2012 was \$606,925.