

In the opinion of Bond Counsel, under existing statutes, regulations, and judicial decisions, interest on the Bonds is excluded from gross income for purposes of federal income taxation and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although in the case of corporations (as defined for federal income tax purposes) such interest is taken into account in determining adjusted current earnings for purposes of such alternative minimum tax. This opinion of Bond Counsel is subject to continuing compliance by the School District with its covenants in the Resolution and other documents to comply with requirements of the Internal Revenue Code of 1986, as amended, and applicable regulations thereunder (herein defined).

Bond Counsel is also of the opinion that under the laws of the Commonwealth of Pennsylvania (the "Commonwealth") as presently enacted and construed, the Bonds are exempt from personal property taxes in the Commonwealth and the interest on the Bonds is exempt from the Commonwealth's Personal Income Tax and the Commonwealth's Corporate Net Income Tax.

The Bonds are "qualified tax-exempt obligations", for purposes and effect contemplated by Section 265 of the Internal Revenue Code of 1986, as amended (relating to expenses and interest relating to tax-exempt income of certain financial institutions).

For further information concerning federal and state tax matters relating to the Bonds, see "Tax Exemption and Other Tax Matters" herein.

\$9,690,000

West Chester Area School District (Chester and Delaware Counties, Pennsylvania) General Obligation Bonds, Series A of 2015

Bonds Dated: Date of Delivery

Principal Due: November 15, as shown on inside front cover

Interest Due: May 15 and November 15

First Interest Payment: May 15, 2016

The bonds described herein will be issued in the aggregate principal amount of \$9,690,000 and will be designated as the General Obligation Bonds, Series A of 2015 (the "Bonds"). The Bonds will be issued in registered form in denominations of \$5,000 and integral multiples thereof, and will be registered in the name of Cede & Co., as the registered owner and nominee of The Depository Trust Company ("DTC"), New York, New York, under its book-entry only system maintained through its brokers and dealers who are, or act through, DTC Participants. The purchasers of the Bonds will not receive physical delivery of the Bonds. A purchaser of the Bonds must maintain an account with a broker or a dealer who is, or acts through, a DTC Participant to receive payment of principal of and interest on the Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein. If, under the circumstances described herein, Bonds are ever issued in certificated form, such Bonds will be subject to registration or transfer, exchange and payment as described herein. The principal of any certificated Bonds will be paid to the registered owners or assigns, when due, upon presentation and surrender of such Bonds to Manufacturers and Traders Trust Company (the "Paying Agent"), acting as paying agent, registrar and sinking fund depository, at its designated corporate trust office. Interest on the Bonds is payable initially on May 15, 2016 and thereafter semiannually on May 15 and November 15 of each year, until the principal sum thereof is paid. DTC Participants and Indirect Participants will be responsible for remitting interest and principal payments to Beneficial Owners of the Bonds.

The Bonds are general obligations of the West Chester Area School District, a public school district located in portions of Chester and Delaware Counties, Pennsylvania (the "School District"), payable from its tax and other general revenues. The School District has covenanted that it will provide in its budget in each year, and will appropriate from its general revenues in each such year, the amount of the debt service due on the Bonds for such year and will duly and punctually pay or cause to be paid from the sinking fund established under the Resolution (herein defined) or any other of its revenues or funds the principal of every Bond and the interest thereon on the dates, at the place and in the manner stated in the Bonds, and for such budgeting, appropriation and payment the School District irrevocably has pledged its full faith, credit and taxing power, which taxing power presently includes the power to levy an annual ad valorem tax on all taxable real property within the School District, within the limits provided by law. (See "THE BONDS – "Security" and "TAXING POWERS OF THE SCHOOL DISTRICT" *infra*).

The Bonds are subject to optional redemption prior to maturity as described herein.

Proceeds of the Bonds will be used to pay the costs of planning, designing, acquiring, constructing, furnishing and equipping additions and improvements to the School District's existing elementary schools and, to the extent of remaining funds, other buildings and facilities of the School District, and pay the costs of issuing the Bonds.

The Bonds are an authorized investment for fiduciaries in the Commonwealth of Pennsylvania pursuant to the Pennsylvania Probate, Estate and Fiduciaries Code, Act of June 30, 1972, No. 164, P.L. 508, as amended and supplemented.

MATURITIES, AMOUNTS, RATES, YIELDS/PRICES AND CUSIPS

[As Shown on Inside Front Cover]

The Bonds are offered when, as and if issued, subject to withdrawal or modification of the offer without notice, and subject to the approving legal opinion of Rhoads & Sinon LLP, Harrisburg, Pennsylvania, Bond Counsel to the School District, to be furnished upon delivery of the Bonds. Certain other legal matters will be passed upon for the School District by Unruh, Turner, Burke & Frees, P.C., West Chester, Pennsylvania, School District Solicitor. Public Financial Management, Inc., Harrisburg, Pennsylvania, will serve as the School District's Financial Advisor in connection with the issuance of the Bonds. It is expected that the Bonds will be available for delivery through DTC, on or about September 29, 2015.



\$9,690,000

West Chester Area School District
(Chester and Delaware Counties, Pennsylvania)
General Obligation Bonds, Series A of 2015

Bonds Dated: Date of Delivery
Interest Due: May 15 and November 15

Principal Due: May 15, as shown below
First Interest Payment: May 15, 2016

Maturity Date (May 15) Year	Principal Amounts	Interest Rates	Initial Offering Yields	Initial Offering Prices	CUSIP⁽¹⁾
2020*	\$20,000	1.300%	1.300%	100.000%	952030S88
2023*	15,000	2.000	2.000	100.000	952030T38
2027*	20,000	2.400	2.400	100.000	952030T79
2028	1,830,000	2.450	2.400**	100.238**	952030T87
2029	1,875,000	2.550	2.500**	100.237**	952030T95
2030	1,925,000	2.700	2.700	100.000	952030U28
2032*	4,005,000	2.800	2.800	100.000	952030U44

⁽¹⁾The above CUSIP (Committee on Uniform Securities Identification Procedures) numbers have been assigned by an organization not affiliated with the School District or the Underwriter, and such parties are not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of bondholders and no representation is made as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including, but not limited to, the refunding or defeasance of such issue or the use of secondary market financial products. Neither the School District nor the Underwriter has agreed to, and there is no duty or obligation to, update this Official Statement to reflect any change or correction in the CUSIP numbers set forth above.

*Term Bond

**Price/Yield to Optional Redemption date of November 15, 2020

WEST CHESTER AREA SCHOOL DISTRICT
(Chester and Delaware Counties, Pennsylvania)

BOARD OF SCHOOL DIRECTORS

Dr. Ricky Swalm.....	President
Sue Tiernan	Vice President
Gary Bevilacqua.....	Member
Bret Binder.....	Member
Joyce Chester	Member
Robin Kaliner.....	Member
Chris McCune	Member
Vince Murphy	Member
Maureen Snook	Member
Linda Wesley	Secretary*
Carol DeLuca	Assistant Secretary*
Dr. Suzanne K. Moore	Treasurer*

*Non-Voting Member

SUPERINTENDENT
DR. JAMES R. SCANLON

DIRECTOR OF BUSINESS AFFAIRS
DR. SUZANNE K. MOORE

SCHOOL DISTRICT SOLICITOR
UNRUH, TURNER, BURKE & FREES, P.C.
West Chester, Pennsylvania

BOND COUNSEL
RHOADS & SINON LLP
Harrisburg, Pennsylvania

FINANCIAL ADVISOR
PUBLIC FINANCIAL MANAGEMENT, INC.
Harrisburg, Pennsylvania

UNDERWRITER
JANNEY MONTGOMERY SCOTT, LLC
Philadelphia, Pennsylvania

PAYING AGENT
MANUFACTURERS AND TRADERS TRUST COMPANY
Buffalo, New York and Harrisburg, Pennsylvania

SCHOOL DISTRICT ADDRESS
829 Paoli Pike
West Chester, Pennsylvania

No dealer, broker, salesman or other person has been authorized by the School District to give information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. The information set forth herein has been obtained from the School District and from other sources which are believed to be reliable but the School District does not guarantee the accuracy or completeness of information from sources other than the School District. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in any of the information set forth herein since the date hereof.

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OFFICIAL STATEMENT

\$9,690,000

West Chester Area School District (Chester and Delaware Counties, Pennsylvania)

General Obligation Bonds, Series A of 2015

INTRODUCTION

This Official Statement, including the cover page and inside cover page hereof, and Appendices hereto, is furnished by the West Chester Area School District, a public school district that includes portions of Chester and Delaware Counties, Pennsylvania (the "School District"), in connection with the offering of \$9,690,000 aggregate principal amount, of its General Obligation Bonds, Series A of 2015 (the "Bonds"). The Bonds are being issued pursuant to, and are secured by, a Resolution of the Board of School Directors of the School District adopted on March 23, 2015 (the "Resolution"), and in accordance with the Local Government Unit Debt Act, 53 Pa. C.S. Chs. 80-82 (the "Debt Act"), of the Commonwealth of Pennsylvania (the "Commonwealth" or "State").

PURPOSE OF THE ISSUE

Proceeds of the Bonds will be used to pay the costs of planning, designing, acquiring, constructing, furnishing and equipping additions and improvements to the School District's existing elementary schools and, to the extent of remaining funds, other buildings and facilities of the School District, and pay the costs of issuing the Bonds.

Sources and Uses of Bond Proceeds

The following is a summary of the sources and uses of the proceeds from the issuance of the Bonds.

Sources:	Total
Bond Proceeds.....	\$9,690,000.00
Net Original Issue Premium	8,799.15
Total	\$9,698,799.15
Uses:	
Construction Fund Deposit.....	\$9,594,068.35
Costs of Issuance ⁽¹⁾	104,730.80
Total	\$9,698,799.15

⁽¹⁾Includes legal, financial advisor, printing, rating, total bond discount, CUSIP, paying agent and miscellaneous costs.

THE BONDS

Description

The Bonds will be issued in fully registered form in denominations of \$5,000 principal amount and integral multiples thereof, in the aggregate principal amount of \$9,690,000. The Bonds will be dated as of the date of the original issuance and delivery thereof (the "Date of Delivery"), and will bear interest at the rates and mature in the amounts and on the dates set forth on the inside front cover of this Official Statement. Interest on each of the Bonds will be payable initially on May 15, 2016, and, thereafter, semiannually on May 15 and November 15 of each year until the maturity date of such Bond or, if such Bond is redeemable and is called for redemption prior to maturity, until the date fixed for redemption thereof, if payment of the redemption price has been duly made or provided for.

When issued, the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York. Purchasers of the Bonds (the "Beneficial Owners") will not receive any physical delivery of Bond certificates, and beneficial ownership of the Bonds will be evidenced only by book entries. See "BOOK – ENTRY ONLY SYSTEM" herein.

Payment of Principal and Interest

So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, payments of principal of, redemption premium, if any, and interest on the Bonds, when due, are to be made to DTC, and all such payments shall be valid and effective to satisfy fully and to discharge the obligations of the School District with respect to, and to the extent of, principal, redemption premium, if any, and interest so paid. If the use of the Book-Entry Only System for the Bonds is discontinued for any reason, bond certificates will be issued and payment of principal, redemption premium, if any, and interest on the Bonds shall be made as described in the following paragraphs:

The principal of any certificated Bonds, when due upon maturity or upon any earlier redemption, will be paid to the registered owners of the Bonds, or registered assigns, upon surrender of such Bonds to Manufacturers and Traders Trust Company (the "Paying Agent"), acting as paying agent and sinking fund depository for the Bonds, at its designated corporate trust offices in Harrisburg, Pennsylvania (or to any successor paying agent at its designated office(s)).

Interest on certificated Bonds will be payable to the registered owner of such Bond from the interest payment date next preceding the date of registration and authentication of such Bond, unless: (a) such Bond is registered and authenticated as of an interest payment date, in which event such Bond shall bear interest from said interest payment date, or (b) such Bond is registered and authenticated after a Record Date (hereinafter defined) and before the next succeeding interest payment date, in which event such Bond shall bear interest from such interest payment date, or (c) such Bond is registered and authenticated on or prior to the Record Date preceding May 15, 2016, in which event such Bond shall bear interest from the Date of Delivery, or (d) as shown by the records of the Paying Agent, interest on such Bond shall be in default, in which event such Bond shall bear interest from the date to which interest was last paid on such Bond. Interest on a certificated Bond will be payable by check drawn on the Paying Agent, which shall be mailed to the registered owner whose name and address shall appear, at the close of business on the fifteenth (15th) day (whether or not a day on which the Paying Agent is open for business) next preceding each interest payment date (the "Record Date"), on the registration books maintained by the Paying Agent, irrespective of any transfer or exchange of each Bond subsequent to such Record Date and prior to such interest payment date, unless the School District shall be in default in payment of interest due on such interest payment date. In the event of any such default, such defaulted interest shall be payable to the person in whose name the certificated Bond is registered at the close of business on a special record date for the payment of such defaulted interest established by notice mailed by the Paying Agent to the registered owner of such Bond not less than fifteen (15) days preceding such special record date. Such notice shall be mailed to the person in whose name such Bond is registered at the close of business on the fifth (5th) day preceding the date of mailing.

If the date for payment of the principal of or interest on any Bonds shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the Commonwealth are authorized or required by law or executive order to close, then the date for payment of such principal or interest shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking institutions are authorized or required to close, and payment on such date shall have the same force and effect as if made on the nominal date established for such payment.

Transfer, Exchange and Registration of Bonds

Subject to the provisions described below under "Book-Entry Only System," a certificated Bond is transferable or exchangeable by the registered owner, thereof upon surrender of such Bond to the Paying Agent, accompanied by a written instrument or instruments in form, with instructions, and with guaranty of signature satisfactory to the Paying Agent, duly executed by the registered owner of such Bond or his attorney-in-fact or legal representative. The Paying Agent shall enter any transfer of ownership of certificated Bonds in the registration books and shall authenticate and deliver at the earliest practicable time in the name of the transferee or transferees a new fully registered Bond or Bonds of authorized denominations of the same maturity and interest rate for the aggregate principal amount which the registered owner is entitled to receive. The School District and the Paying Agent may deem and treat the registered owner of any Bond as the absolute owner thereof (whether or not such Bond shall be overdue) for the purpose of receiving payment of or on account of principal and interest and for all other purposes, and the School District and the Paying Agent shall not be affected by any notice to the contrary.

The School District and the Paying Agent shall not be required (a) to register the transfer or exchange any Bonds then considered for redemption during a period beginning at the close of business on the fifteenth (15th) day next preceding any date of selection of Bonds to be redeemed and ending at the close of business on the day on which the applicable notice of redemption is mailed or (b) to register the transfer of or exchange any portion of any Bond selected for redemption until after the redemption date. Bonds may be exchanged for a like aggregate principal amount of Bonds of other authorized denominations of the same maturity and interest rate.

Security

The Bonds will be general obligations of the School District, payable from its tax and other general revenues. The School District has covenanted that it will provide in its budget for each year, and will appropriate from its general revenues in each such year, the amount of the debt service on the Bonds for such year, and will duly and punctually pay or cause to be paid from its Sinking Fund, as hereinafter defined, or any other of its revenues or funds, the principal of each of the Bonds and the interest thereon at the dates and place and in the manner stated on the Bonds, and for such budgeting, appropriation and payment the School District irrevocably has pledged its full faith, credit and taxing power, which taxing power includes the power to levy an annual ad valorem tax on all taxable property within the School District, within the limits provided by law (see "TAXING POWERS OF THE SCHOOL DISTRICT" herein). The Debt Act presently provides for enforcement of debt service payments as hereinafter described (see "DEFAULTS AND REMEDIES" herein), and the Public School Code presently provides for the withholding and application of subsidies in the event of failure to pay debt service (See "Commonwealth Enforcement of Debt Service Payments" herein).

Commonwealth Enforcement of Debt Service Payments

Section 633 of the Pennsylvania Public School Code of 1949, as amended by Act 150 of 1975, and as further amended and supplemented (the "Public School Code"), presently provides that in all cases where the board of school directors of any school district fails to pay or to provide for the payment of any indebtedness on the date of maturity or date of mandatory redemption or on any sinking fund deposit date, or any interest due on such indebtedness on any interest payment date or on any sinking fund deposit date, in accordance with the schedule under which the bonds were issued, the Pennsylvania Department of Education ("PDE") shall notify such board of school directors of its obligation and shall withhold out of any Commonwealth appropriation due such school district an amount equal to the sum of the principal amount maturing or subject to mandatory redemption and interest owing by such school district, or sinking fund deposit due by such school district, and shall pay over the amount so withheld to the bank or other person acting as sinking fund depository for such bond issue. These withholding provisions are not part of any contract with the holders of the Bonds, and may be amended or repealed by future legislation.

There can be no assurance that any payments pursuant to this withholding provision will be made by the date on which such payments are due to the Bondholders. The effectiveness of Section 633 of the Public School Code may be limited by the application of other withholding provisions contained in the Public School Code, such as provisions for withholding and paying over of appropriations for payment of unpaid teachers' salaries, or by statutory interpretation or policies of PDE enforcement may also be limited by bankruptcy, insolvency, or other laws or equitable principles affecting the enforcement of creditors' rights generally.

Sinking Fund

The sinking fund for the payment of debt service on the Bonds, designated "General Obligation Bonds, Series A of 2015 - Sinking Fund" (the "Sinking Fund"), created under the Resolution shall be held by the Paying Agent as sinking fund depository. The School District shall deposit in the Sinking Fund a sufficient sum not later than the date when interest and/or principal is to become due on the Bonds so that on each payment date the Sinking Fund will contain an amount which, together with any other funds available therein, is sufficient to pay in full interest and/or principal then due on the Bonds.

The Sinking Fund shall be held by the Paying Agent, as sinking fund depository, and funds deposited therein will be invested by the Paying Agent in such securities or shall be deposited in such funds or accounts as are authorized by law, upon direction of the School District. Such deposits and securities shall be in the name of the School District, but subject to withdrawal or collection only by the Paying Agent, as sinking fund depository, and such deposits and securities, together with the interest thereon, shall be a part of the Sinking Fund.

The Paying Agent, as sinking fund depository, is authorized without further order from the School District to pay from the Sinking Funds the principal of and interest on the Bonds, as and when due and payable.

BOOK-ENTRY ONLY SYSTEM

The information in this section has been obtained from materials provided by DTC for such purpose. The School District (herein referred to as the "Issuer") and the Underwriter do not guaranty the accuracy or completeness of such information, and such information is not to be construed as a representation of the School District or the Underwriter.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds (the "Bonds"). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC the world's largest securities depository is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds of any particular maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of Principal, interest and redemption premium, if any, on the Bonds, will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Issuer or the Paying Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of Principal, interest and redemption premium, if any, on the Bonds, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

NEITHER THE ISSUER NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT, INDIRECT PARTICIPANT OR BENEFICIAL OWNER OR ANY OTHER PERSON WITH RESPECT TO: (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (4) THE DELIVERY TO ANY BENEFICIAL OWNER BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE ORDINANCE TO BE GIVEN TO BONDHOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

The Issuer and the Paying Agent cannot give any assurances that DTC or the Participants will distribute payments of the principal or redemption price of and interest on the Bonds paid to DTC or its nominee, as the registered owner of the Bonds, or any redemption or other notices, to the Beneficial Owners or that they will do so on a timely basis, or that DTC will serve and act in the manner described in this Official Statement.

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REDEMPTION OF BONDS

Optional Redemption

The Bonds stated to mature on or after May 15, 2021, shall be subject to redemption prior to maturity, at the option of the School District, as a whole or on any date thereafter, or from time to time, in part (and if in part, in any order of maturities designated by the School District and within a maturity by lot) on November 15, 2020, or on any date thereafter, in either case upon payment of a redemption price of 100% of the principal amount to be redeemed, together with accrued interest to the redemption date.

Mandatory Redemption

The Bonds stated to mature on May 15, 2020, 2023, 2027, and 2032, are subject to mandatory redemption prior to maturity, in the amounts and on May 15 of the years shown below, from money in the Mandatory Sinking Fund created pursuant to the Resolution, by paying redemption price equal to 100% of the principal amount to be redeemed together with interest accrued to the date fixed for redemption.

Bonds stated to mature May 15, 2020:

2017	\$5,000
2018	5,000
2019	5,000
2020	5,000*

*Final Maturity

Bonds stated to mature May 15, 2023:

2021	\$5,000
2022	5,000
2023	5,000*

*Final Maturity

Bonds stated to mature May 15, 2027:

2024	\$5,000
2025	5,000
2026	5,000
2027	5,000*

*Final Maturity

Bonds stated to mature May 15, 2032:

2031	\$1,975,000
2032	2,030,000*

*Final Maturity

In lieu of such mandatory redemption, the Paying Agent, on behalf of the School District, may purchase from money in the Sinking Fund, at a price not to exceed the principal amount plus accrued interest, or the School District may tender to the Paying Agent, all or part of the Bonds subject to being drawn for redemption in any such year.

Notice of Redemption

So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, the School District and the Paying Agent shall send redemption notices only to Cede & Co. See "BOOK-ENTRY ONLY SYSTEM" herein for further information regarding conveyance of notices to Beneficial Owners.

Notice of any redemption of certificated Bonds shall be given by depositing a copy of a redemption notice in first class mail not less than thirty (30) days prior to the date fixed for redemption, addressed to the registered owners of each of the Bonds to be redeemed, in whole or in part, at the addresses shown on the registration books kept by the Paying Agent as of the day such Bonds are selected for redemption; provided, however, that failure to give such notice by mailing, or any defect therein or in the mailing thereof, shall not affect the validity of any proceeding for redemption of other Bonds called for redemption as to which proper notice has been given.

On the date designated for redemption, notice having been provided as aforesaid, and money for payment of the principal and accrued interest being held by the Paying Agent, interest on the Bonds or portions thereof so called for redemption shall cease to accrue and such Bonds or portions thereof shall cease to be entitled to any benefit or security under the Resolution, and registered owners of such Bonds or portions thereof so called for redemption shall have no rights with respect thereto, except to receive payment of the principal thereof and accrued interest thereon to the date fixed for redemption.

If at the time of mailing of a notice of redemption the School District shall not have deposited with the Paying Agent, as sinking fund depository, money sufficient to redeem all Bonds or portions thereof called for redemption, the notice of redemption may state that it is conditional, *i.e.*, that it is subject to the deposit of sufficient redemption money with the Paying Agent not later than the redemption date, and such notice shall be of no effect unless such money is so deposited. If the Bonds to be called for redemption shall have been refunded, money sufficient to redeem such Bonds shall be deemed to be on deposit with the Paying Agent for the purposes of this paragraph and the notice of redemption need not state that it is conditional, if the redemption money has been deposited irrevocably with another bank or bank and trust company which shall have been given irrevocable instructions to transfer the same to the Paying Agent not later than the redemption date. If sufficient funds are not received, such notice of redemption shall be of no effect.

Manner of Redemption

So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, payment of the redemption price shall be made to Cede & Co. in accordance with the existing arrangements by and among the School District, the Paying Agent and DTC and, if less than all Bonds of any particular maturity of a series are to be redeemed, the amount of the interest of each DTC Participant, Indirect Participant and Beneficial Owner in such Bonds to be redeemed shall be determined by the governing arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. See "BOOK-ENTRY ONLY SYSTEM" herein for further information regarding redemption of Bonds registered in the name of Cede & Co.

If a Bond is of a denomination larger than \$5,000, a portion of such Bond may be redeemed. For the purposes of redemption, a Bond shall be treated as representing the number of Bonds that is equal to the principal amount thereof divided by \$5,000, each \$5,000 portion of such Bond being subject to redemption. In the case of partial redemption of a Bond, payment of the redemption price shall be made only upon surrender of such Bond in exchange for Bonds of the same maturity and in authorized denominations of the same series, maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the principal amount thereof.

If the redemption date for any Bonds shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the Commonwealth are authorized or required by law or executive order to close, then the date for payment of the principal, premium, if any, and interest upon such redemption shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking institutions are authorized or required to close, and payment on such date shall have the same force and effect as if made on the nominal date of redemption.

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THE SCHOOL DISTRICT

Introduction

The School District encompasses several communities in central Chester County and one municipality in western Delaware County and covers an area of approximately 75 square 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, all located 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 county seat of Chester County, is approximately 25 miles west of metropolitan Philadelphia, 15 miles north of Wilmington, Delaware, and 15 miles south of King of Prussia and Valley Forge. Many well-known unincorporated communities are located within the School District and these include: Exton in West Whiteland Township, Goshenville in East Goshen Township, Chatwood in West Goshen Township, Cheyney and Glen Mills in Thornbury Township, Delaware County, and Darlington Corners in Westtown Township.

West Chester Area School District is characterized by rolling hills and fertile valleys flanking the east branch of the Brandywine Creek and the tributaries of the Chester Creek. The Borough of West Chester is the financial and professional center for the surrounding area. The Townships encompassed within the School District are principally residential in character, with regional shopping centers and industrial parks. Four major public institutions are within the School District: West Chester University; Cheyney University; Chester County Courthouse; and Chester County Hospital.

Administration

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.

School Facilities

The School District operates ten elementary schools, three middle schools and three high schools, all as described on the following table. Students at the secondary level also attend the Chester County Technical College High School.

**TABLE 1
WEST CHESTER AREA SCHOOL DISTRICT FACILITIES**

Building	Original Construction Date	Addition and/or Renovation Date	Grades	2014-15 Enrollment*
B. Rustin High School	2003-06	-	9-12	1,267
East High School	1973	1976/92/93/04	9-12	1,321
East/Fugett Athletic Fields	2004	-	-	
Henderson High School	1951	1956/64/76/94/98/04	9-12	1,220
Henderson-North Campus Athletics	2006	-	-	
E. N. Peirce Middle School	1963	1998/01/03	6-8	857
G. A. Stetson Middle School	1959	1961/98/03/07	6-8	992
J. R. Fugett Middle School	1969	2009	6-8	941
East Bradford Elementary.....	1958	1966/70/89/14	K-5	347
East Goshen Elementary.....	1955	1960/64/67/95/01	K-5	390
Exton Elementary	1940	1953/57/91/92/93/00	K-5	500
Fern Hill Elementary	1955	1960/89	K-5	483
Glen Acres Elementary.....	1966	1997	K-5	553
Hillsdale Elementary	1976	2007	K-5	568
Mary C. Howse Elementary.....	1962	1965/97	K-5	534
Penn Wood Elementary	1966	1970/89/01/13	K-5	557
Sarah W. Starkweather Elementary	1991	1998	K-5	643
Westtown-Thornbury Elementary.....	1954	1956/89/13	K-5	451
Facilities & Operations Center	1999	-	-	
Spellman Administration	1924	1952/55/77/99	Admin./Gifted	
			Totals	11,624

*As of October 1, 2014.

Source: School District Officials. Enrollments do not include vo-tech students or students attending facilities not operated by the School District.

Enrollment Trends

The following table presents recent trends in school enrollment and projections of enrollment for the next 4-5 years, as prepared by the School District's administrative officials.

TABLE 2
WEST CHESTER AREA SCHOOL DISTRICT ENROLLMENT TRENDS

Actual Enrollments					Projected Enrollments				
School					School				
Year	K-5	6-8	9-12	Total	Year	K-5	6-8	9-12	Total
2010-11	5,036	2,819	3,970	11,825	2015-16	4,915	2,790	3,811	11,516
2011-12	5,085	2,790	3,947	11,822	2016-17	4,835	2,855	3,784	11,474
2012-13	5,069	2,763	3,855	11,687	2017-18	4,736	2,864	3,793	11,393
2013-14	5,078	2,687	3,901	11,666	2018-19	4,673	2,831	3,869	11,373
2014-15	5,026	2,790	3,808	11,624	2019-20	4,409	2,797	3,856	11,062

Source: School District officials.

SCHOOL DISTRICT FINANCES

Introduction

The School District budgets and expends funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by the Superintendent and Director of Business Affairs and submitted to the School Board for approval prior to the beginning of each fiscal year ("FY") on July 1.

Financial Reporting

The School District keeps the books and prepares the financial reports for the General Fund according to a modified accrual basis of accounting. Major accrual items are payrolls, payroll taxes and pension fund contributions payable, loans receivable from other funds, and revenues receivable from other governmental units. Taxes are credited when received.

As of July 1, 2001, the School District adopted provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis - For State and Local Governments, Statement No. 37, Basic Financial Statements – and Management Discussion and Analysis - For State and Local Governments: Omnibus, and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Balance Statements.

The School District financial statements are audited annually by an independent certified public accountant, as required by Commonwealth law. The firm of Barbacane, Thornton & Company LLP, Wilmington, Delaware, currently serves as the School District's auditor.

The School District's auditor has not been engaged to perform, and has not performed, since the date of its report included in an Appendix to this Official Statement, any procedure on the financial statements addressed in that report. Such auditor also has not performed any procedures relating to this Official Statement.

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Budgeting Process as modified by Act 1 of 2006 (Taxpayer Relief Act)

In General. School districts budget and expend funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by school district administrative officials on a uniform form furnished by such Department and submitted to the board of school directors for approval prior to the beginning of the fiscal year on July 1.

Procedures for Adoption of the Annual Budget. Under Pennsylvania Act No. 1 of the Special Session of 2006, as amended by Act 25 of 2011 (the "Taxpayer Relief Act" or "Act 1"), all school districts of the first class A, second class, third class and fourth class (except as described below) must adopt a preliminary budget proposal (which must include estimated revenues and expenditures and proposed tax rates) no later than 90 days prior to the date of the election immediately preceding the fiscal year. The preliminary budget proposal must be printed and made available for public inspection at least 20 days prior to its adoption; the board of school directors may hold a public hearing on the budget; and the board must give at least 10 days public notice of its intent to adopt the final budget.

If the adopted preliminary budget includes an increase in the rate of any tax levy, the preliminary budget must be submitted to the Pennsylvania Department of Education (PDE) no later than 85 days prior to the date of the election immediately preceding the fiscal year. PDE is to compare the proposed percentage increase in the rate of any tax with the school district's Index (see "The Taxpayer Relief Act" herein) and within 10 days, but not later than 75 days prior to the upcoming election, inform the school district whether the proposed percentage increase is less than or equal to the Index. If PDE determines that a proposed tax increase will exceed the Index, the school district must reduce the proposed tax increase, seek voter approval for the tax increase at the upcoming election, or seek approval to utilize one of the referendum exceptions authorized under The Taxpayer Relief Act.

With respect to the utilization of any of the Taxpayer Relief Act referendum exceptions for which PDE approval is required (see "The Taxpayer Relief Act (Act 1)" herein), the school district must publish notice of its intent to seek PDE approval not less than one week before submitting its request for approval to PDE and, if PDE determines to schedule a public hearing on the request, a notice of the date, time and place of such hearing. PDE is required by the Taxpayer Relief Act to rule on the school district's request and inform the school district of its decision no later than 55 days prior to the upcoming election so that, if PDE denies the school district's request, the school district may submit a referendum question to the local election officials at least 50 days before the upcoming election, if it so chooses.

If a school district seeks voter approval to increase taxes at a rate higher than the applicable Index, whether or not it first seeks approval to utilize one of the referendum exceptions available under the Taxpayer Relief Act, and the referendum question is not approved by a majority of the voters voting on the question, the board of school directors may not approve an increase in the tax rate greater than the applicable Index.

Simplified Procedures in Certain Cases. The above budgetary procedures will not apply to a school district if the board of school directors adopts a resolution no later than 110 days prior to the election immediately preceding the upcoming fiscal year declaring that it will not increase any tax at a rate that exceeds the Index and that a tax increase at or below the rate of the Index will be sufficient to balance its budget. In that case, the Taxpayer Relief Act requires only that the proposed annual budget be prepared at least 30 days, and made available for public inspection at least 20 days, prior to its adoption, and that at least ten (10) days' public notice be given of the board's intent to adopt the annual budget. No referendum exceptions are available to a school district adopting such a resolution.

Status of FY 2015-16 Budget Under Act 1. On May 27, 2015, at its regular monthly meeting the School Board of the School District adopted a FY 2015-16 Final Budget and avoided taking the maximum allowable tax increase under Act 1 and exceptions. The budget for the next fiscal year calls for a tax millage rate increase of 1.9%, up .3649 mills over the previous approved FY budget to 19.213 mills, but relies heavily on School District spending reductions and the use of approximately \$5,171,625 of the School District's accumulated fund balance. Property tax millage rates in the School District will remain the lowest of any district in Chester County or Delaware County.

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Summary and Discussion of Financial Results

A summary of the comparative governmental fund balance sheets is presented in Table 3 and Table 4 shows historic changes in the general fund balances of the School District. Table 5 summarizes revenues and expenditures for the past four years, FY 2014-15 estimated and the FY 2015-16 budget.

TABLE 3
WEST CHESTER AREA SCHOOL DISTRICT
SUMMARY OF COMPARATIVE GOVERNMENTAL FUND BALANCE SHEET
(Fiscal Years Ending June 30)

ASSETS	2010	2011	2012	2013	2014
Current:					
Cash and Cash Equivalents	\$1,648,635	\$21,186,043	\$21,056,456	\$22,136,164	\$17,622,072
Investments.....	44,954,112	29,800,981	29,986,905	47,173,414	57,583,651
Investments (restricted).....	0	0	1,892,658	1,894,735	0
Property Taxes Receivable, Net.....	4,343,853	5,038,789	5,130,823	4,760,811	4,253,307
Due from other Governments	1,318,393	1,738,483	1,232,213	2,170,257	2,683,899
Other Receivables.....	1,278,270	665,398	1,461,604	1,429,544	868,411
Prepaid Expenditures	1,771,912	1,966,173	1,277,682	1,918,300	3,482,456
Other Current Assets.....	80	0	0	0	12,270
TOTAL CURRENT ASSETS	\$55,315,255	\$60,395,867	\$62,038,341	\$81,483,225	\$86,506,066
Capital Assets:					
Bond issuance costs	\$1,936,944	\$2,099,265	\$2,089,774	\$0	\$0
Other post-employment benefits	0	141,479	0	0	0
Land.....	33,139,690	33,159,800	33,159,800	33,159,800	33,159,800
Land Improvements	9,245,746	14,452,651	14,452,651	14,737,125	14,737,125
Buildings	332,513,388	360,129,654	361,025,298	363,112,043	364,460,917
Construction in Progress	31,741,721	1,715,107	5,946,351	18,914,012	27,269,498
Furniture and Equipment	31,886,521	31,713,443	31,878,086	33,152,717	33,064,984
TOTAL CAPITAL ASSETS, NET					
OF DEPRECIATION	\$440,464,010	\$443,411,399	\$448,551,960	\$463,075,697	\$472,692,324
Less: Accumulated depreciation	(\$129,565,362)	(\$141,049,710)	(\$152,666,816)	(\$164,135,053)	(\$173,719,145)
TOTAL ASSETS	\$366,213,903	\$362,757,556	\$357,923,485	\$380,423,869	\$385,479,245
DEFERRED INFLOWS OF RESOURCES					
Deferred amount on refunding.....	\$0	\$0	\$0	\$0	\$5,544,256
TOTAL ASSETS AND DEFERRED					
OUTFLOWS OF RESOURCES	\$366,213,903	\$362,757,556	\$357,923,485	\$380,423,869	\$391,023,501
LIABILITIES					
Current:					
Accounts Payable and other current liabilities	\$18,492,209	\$18,041,988	\$18,586,164	\$23,697,396	\$25,042,441
Bond and Notes Payable Due Within One Year.....	11,474,000	12,559,000	13,107,000	13,765,676	15,571,743
Accrued Interest.....	2,364,938	2,252,622	2,053,135	1,654,712	2,062,171
Deferred Revenues	21,267	19,317	44,571	23,781	195,159
TOTAL CURRENT LIABILITIES	\$32,352,414	\$32,872,927	\$33,790,870	\$39,141,565	\$42,871,514
Long-Term:					
Bonds and Notes Payable Due After One Year.....	\$296,385,633	\$286,412,199	\$273,424,676	\$286,418,634	\$284,067,626
Accrued Severance and Compensated Absences	6,194,871	6,277,128	6,509,029	6,827,788	4,877,394
Other post-employment benefits	0	0	41,873	37,180	236,392
TOTAL LONG-TERM LIABILITIES	\$302,580,504	\$292,689,327	\$279,975,578	\$293,283,602	\$289,181,412
TOTAL LIABILITIES	\$334,932,918	\$325,562,254	\$313,766,448	\$332,425,167	\$332,052,926
NET ASSETS					
Net investment in capital assets	\$9,418,873	\$7,083,089	\$8,057,190	\$5,876,233	\$7,710,407
Restricted.....	13,811,178	14,506,078	14,329,759	15,646,701	17,672,551
Unrestricted	8,050,934	15,606,135	21,770,088	30,867,282	34,101,596
TOTAL FUND EQUITIES	\$31,280,985	\$37,195,302	\$44,157,037	\$52,390,216	\$59,484,554
TOTAL LIABILITIES					
AND FUND EQUITIES/NET ASSETS	\$366,213,903	\$362,757,556	\$357,923,485	\$384,815,383	\$391,537,480

Source: School District's Annual Financial Reports.

TABLE 4
WEST CHESTER AREA SCHOOL DISTRICT GENERAL FUND
SUMMARY OF CHANGES IN GENERAL FUND BALANCE*
(Fiscal Years Ending June 30)

	Actual				Estimated	Budget
	2011	2012	2013	2014	2015 ⁽¹⁾	2016 ⁽²⁾
Beginning Fund Balance	\$11,995,399	\$18,462,684	\$25,376,004	\$32,371,890	\$33,351,073	\$29,961,192
Revenues over (under) Expenditure.....	6,391,680	6,913,320	6,995,886	979,183	(3,389,881)	(5,171,625)
Prior Period Adjustment	75,605	0	0	0	0	0
Ending Fund Balance	<u>\$18,462,684</u>	<u>\$25,376,004</u>	<u>\$32,371,890</u>	<u>\$33,351,073</u>	<u>\$29,961,192</u>	<u>\$24,789,567</u>

*Totals may not add due to rounding.

⁽¹⁾Estimated, subject to change and final audit.

⁽²⁾Budget, as adopted May 27, 2015.

Source: School District Annual Financial Reports and Budget.

General Fund Revenue

The School District anticipates receiving an estimated \$213,335,483 in total revenue in FY 2014-15 and has budgeted total revenue of \$220,551,080 in FY 2015-16. Local sources increased as a share of total revenue in the past five years, from 82.9% in FY 2010-11 to 83.1% in FY 2014-15 (estimated). Revenue from Commonwealth sources increased slightly as a share of the total revenue from 14.7% to 16.1% over this period. Federal and other revenue decreased as a share of the total revenue from 2.4% to 0.9% over this period.

TABLE 5
WEST CHESTER AREA SCHOOL DISTRICT
SUMMARY OF SCHOOL DISTRICT GENERAL FUND
REVENUES*
(Fiscal Years Ending June 30)

REVENUE:	Actual				Estimated	Budget
	2011	2012	2013	2014	2015 ⁽¹⁾	2016 ⁽²⁾
Local Sources:						
Real Estate Taxes (Current).....	\$140,160,462	\$139,648,021	\$141,839,871	\$143,225,113	\$146,481,801	\$150,815,539
Interim Real Estate Taxes.....	1,060,391	1,070,637	1,573,196	679,486	1,407,585	1,435,477
Total Act 511 Taxes	19,546,706	21,356,508	22,165,152	23,185,205	23,582,006	24,250,096
Public Utility Realty Tax	218,264	225,339	223,786	210,851	200,000	200,000
Delinquencies on Taxes Levied.....	2,805,694	3,816,141	4,069,877	3,365,905	3,008,800	3,008,800
Earnings from Temporary Deposits & Investments	118,422	173,608	129,835	70,970	183,015	192,166
PA Revenue Rec'd.-Other Intermediate Sources...	119,445	123,369	413,737	419,389	215,750	131,500
Fed. Rev. Rec'd.-Other Intermediate/PA Sources ..	1,235,639	1,290,509	1,264,456	1,154,666	1,215,754	1,215,754
Tuition from Patrons.....	150,097	122,725	143,171	29,342	116,715	458,078
Rentals.....	199,984	220,596	298,044	332,728	300,000	360,000
Contributions and Donations	23,374	11,841	6,500	11,500	0	0
Receipts from Other LEAs	609,854	723,990	583,741	408,333	0	0
Refund of Prior Years' Expenditures	1,648	26,220	24,824	14,881	0	0
All Other Local Revenues Not Specified.....	33,589	70,981	20,944	106,126	131,500	0
Other Sources	10,912	36,453	74,943	13,861	365,485	365,485
Total Local Sources	<u>\$166,294,480</u>	<u>\$168,916,938</u>	<u>\$172,832,076</u>	<u>\$173,228,355</u>	<u>\$177,208,411</u>	<u>\$182,432,895</u>
State Sources:						
Total State Sources	<u>\$28,254,872</u>	<u>\$28,615,828</u>	<u>\$29,520,370</u>	<u>\$31,717,857</u>	<u>\$34,306,999</u>	<u>\$36,653,608</u>
Federal Sources:						
Total Federal Sources	<u>\$5,630,838</u>	<u>\$2,811,424</u>	<u>\$2,776,774</u>	<u>\$1,507,117</u>	<u>\$1,820,073</u>	<u>\$1,464,577</u>
Other Sources:						
Total Other Sources	<u>\$15,212</u>	<u>\$0</u>	<u>\$973</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
TOTAL REVENUE	<u>\$200,195,402</u>	<u>\$200,344,190</u>	<u>\$205,130,193</u>	<u>\$206,453,328</u>	<u>\$213,335,483</u>	<u>\$220,551,080</u>

*Totals may not add due to rounding.

⁽¹⁾Estimated, subject to change and final audit.

⁽²⁾Budget, as adopted May 27, 2015.

Source: School District Annual Financial Reports and Budget.

General Fund Expenditures

**TABLE 5
WEST CHESTER AREA SCHOOL DISTRICT
SUMMARY OF SCHOOL DISTRICT GENERAL FUND
EXPENDITURES*
(Fiscal Years Ending June 30)**

EXPENDITURES:	Actual				Estimated	Budget
	2011	2012	2013	2014	2015 ⁽¹⁾	2016 ⁽²⁾
Instruction	\$108,712,731	\$109,620,874	\$113,035,856	\$116,101,438	\$119,903,169	\$127,521,545
Pupil Personnel.....	7,169,537	7,160,311	7,296,705	7,675,484	7,998,670	8,724,176
Instructional Staff.....	5,601,386	5,081,062	4,921,268	4,881,281	4,680,702	5,573,653
Support Services - Administration.....	9,970,175	9,344,250	9,887,950	10,502,799	11,255,785	10,931,643
Support Services - Pupil Health.....	1,950,128	1,808,091	1,907,607	2,002,751	2,781,594	2,132,745
Business	1,433,614	1,500,459	1,382,290	1,521,955	1,623,245	1,879,640
Operation & Maintenance.....	15,320,913	14,027,496	14,582,011	15,281,210	16,977,939	17,253,659
Pupil Transportation.....	12,970,008	12,873,828	12,849,133	12,650,019	13,268,668	13,616,878
Central Support Services	1,936,078	2,089,509	2,136,470	2,158,719	2,421,787	3,270,296
Support Services - Other.....	135,507	126,387	125,729	127,739	125,729	207,530
Community Services	89,122	0	0	0	0	0
Non-instructional Services.....	3,909,060	4,050,253	4,159,666	4,237,967	5,786,782	4,942,658
Facilities Acquisition, Construction and Improvement.....	687,509	426,521	650,293	0	0	0
Capital Outlay	0	0	0	0	0	0
Debt Service.....	21,239,393	23,785,540	21,896,024	23,653,792	21,275,442	20,810,657
Refund Prior Year Expenditures	1,760	36,289	(390,690)	97,744	0	0
Other Support Services	0	0	0	0	0	0
Budgetary Reserves & Transfers	2,676,801	1,500,000	3,693,995	4,581,247	8,625,852	8,857,625
TOTAL EXPENDITURES	\$193,803,722	\$193,430,870	\$198,134,307	\$205,474,145	\$216,725,364	\$225,722,705
SURPLUS (DEFICIT) OF REVENUES						
OVER EXPENDITURES	\$6,391,680	\$6,913,320	\$6,995,886	\$979,183	(\$3,389,881)	(\$5,171,625)

*Totals may not add due to rounding.

⁽¹⁾Estimated, subject to change and final audit.

⁽²⁾Budget, as adopted May 27, 2015.

Source: School District Annual Financial Reports and Budget.

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TAXING POWERS OF THE SCHOOL DISTRICT

In General

Subject to statutory limitations imposed by the Taxpayer Relief Act, Act No. 1 of the Special Session of 2006, as amended (see “The Taxpayer Relief Act (Act 1)” herein), the School District is empowered by the School Code and other statutes to levy the following taxes:

1. A basic annual tax on all real property taxable for school purposes, not to exceed 25 mills on each dollar of assessed valuation, to be used for general school purposes.
2. An unlimited ad valorem tax on the property taxable for school purposes to provide funds:
 - a. for minimum salaries and increments of the teaching and supervisory staff;
 - b. to pay rentals due any municipality authority or non-profit corporation or due the State Public School Building Authority;
 - c. to pay interest and principal on any indebtedness incurred pursuant to the Local Government Unit Debt Act, or any prior or subsequent act governing the incurrence of indebtedness of the school district; and
 - d. to pay for the amortization of a bond or note issue which provided a school building prior to the first Monday of July, 1959.
3. An annual per capita tax on each resident or inhabitant over 18 years of age of not more than \$5.00.
4. Additional taxes subject to division with other political subdivisions authorized to levy similar taxes on the same person, subject, business, transaction or privilege, under Act No. 511, enacted December 31, 1965, as amended (“The Local Tax Enabling Act”). These taxes, which may include, among others, an additional per capita tax, a wage and other earned income tax, a real estate transfer tax, a gross receipts tax, a local services tax and an occupation tax, shall not exceed, in the aggregate, an amount equal to the product of the market valuation of real estate in the School District (as certified by the State Tax Equalization Board of the Commonwealth – “STEB”) multiplied by twelve mills. All local taxing authorities are required by the Local Tax Enabling Act to exempt disabled veterans and members of the armed forces reserve who are called to active duty at any time during the tax year from any local services tax and to exempt from any local services tax levied at a rate in excess of \$10 those persons whose total income and net profits from all sources within the political subdivision is less than \$12,000 for the tax year. The Local Tax Enabling Act also authorizes, but does not require, taxing authorities to exempt from per capita, occupation, and earned income taxes and any local services tax levied at a rate of \$10 or less per year, any person whose total income from all sources is less than \$12,000 per year.

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The Taxpayer Relief Act (Act 1)

Under Act 1, a school district may not levy any new tax for the support of the public schools which was not levied in the previous fiscal year, raise the rate of any earned income and net profits tax if already imposed under the authority of the Local Tax Enabling Act (Act 511), or increase the rate of any tax for school purposes by more than the Index (defined below), unless in each case either (a) such increase is approved by the voters in the school district at a public referendum or (b) one of the exceptions summarized below is applicable and the use of such exception is approved by the Pennsylvania Department of Education (PDE):

1. to pay interest and principal on indebtedness approved “incurred” (as defined by Act 1) (i) prior to September 4, 2004, in the case of a school district which had elected to become subject to the provisions of the prior Homeowner Tax Relief Act, Act 72 of 2004, or (ii) *prior to June 27, 2006, in the case of a school district which had not elected to become subject to Act 72 of 2004*; to pay interest and principal on any indebtedness approved by the voters at referendum (electoral debt); and to pay interest and principal on debt refunding or refinancing debt for which one of the above exceptions is permitted, as long as the refunding or refinancing incurs no additional debt other than for costs and expenses related to the refunding or refinancing and the funding of appropriate debt service reserves;
2. to pay costs incurred in providing special education programs and services to students with disabilities, under specified circumstances; and
3. to make payments into the State Public School Employees’ Retirement System when the increase in the estimated payments between the current year and the upcoming year is greater than the Index, as determined by PDE in accordance with the provisions of Act 1.

Any revenue derived from an increase in the rate of any tax allowed under the exception numbered 1 above may not exceed the anticipated dollar amount of the expenditure, and any revenue derived from an increase in the rate of any tax allowed pursuant to any other exception enumerated above may not exceed the rate increase required, as determined by PDE. If a school district’s petition or request to increase taxes by more than the Index pursuant to one or more of the allowable exceptions is not approved, the school district may submit the proposed tax increase to a referendum.

The Index (to be determined and reported by PDE by September of each year for application to the following fiscal year) is the average of the percentage increase in the statewide average weekly wage, as determined by the State Department of Labor and Industry for the preceding calendar year, and the employment cost index for elementary and secondary schools, as reported by the federal Bureau of Labor Statistics for the preceding 12-month period beginning July 1 and ending June 30. If and when a school district has a Market Value/Income Aid Ratio greater than 0.40 for the prior school year, however, the Index is adjusted upward by multiplying the unadjusted Index by the sum of 0.75 and such Aid Ratio.

The Act 1 Index applicable to the School District in the current and prior fiscal years are as follows:

<u>Fiscal Year</u>	<u>Index %</u>
2015-16	1.9
2014-15	2.1
2013-14	1.7
2012-13	1.7
2011-12	1.4

Source: Pennsylvania Department of Education website.

In accordance with Act 1, the School District put a referendum question on the ballot at the May, 15, 2007, primary election seeking voter approval to levy (or increase the rate of) an earned income and net profits tax (“EIT”) or a personal income tax (“PIT”) and use the proceeds to reduce local real estate taxes by a homestead and farmstead exclusion. This referendum question was not approved by the voters. A board of school directors may submit, but is not required to submit, a referendum question to the voters at the municipal election in any later year seeking approval to levy or increase the rate of an EIT or a PIT for the purpose of funding homestead and farmstead exclusions, but the proposed rate of the EIT or PIT shall not exceed the rate that is required to provide the maximum homestead and farmstead exclusions allowable under law.

The Bonds are Not Expected to be Eligible for Act 1 Exceptions

The Bonds constitute indebtedness that was incurred on March 23, 2015, after the effective date of Act 1. Therefore, no exception to the referendum requirement is expected to be applicable for any new taxes required to pay the debt service on the Bonds greater than the applicable annual Index.

Legislation Limiting Unreserved Fund Balances

Pennsylvania Act No. 2003-48 (enacted December 23, 2003) prohibits a school district from increasing real property taxes, unless the school district has adopted a budget for such school year that includes an estimated ending unreserved undesignated fund balance which is not more than a specified percentage of the total budgeted expenditures, as set forth below:

<u>Total Budgeted Expenditures</u>	<u>Estimated Ending Unreserved Undesignated Fund Balance as a Percentage of Total Budgeted Expenditures</u>
Less than or equal to \$11,999,999	12.0%
Between \$12,000,000 and \$12,999,999	11.5%
Between \$13,000,000 and \$13,999,999	11.0%
Between \$14,000,000 and \$14,999,999	10.5%
Between \$15,000,000 and \$15,999,999	10.0%
Between \$16,000,000 and \$16,999,999	9.5%
Between \$17,000,000 and \$17,999,999	9.0%
Between \$18,000,000 and \$18,999,999	8.5%
Greater than or equal to \$19,000,000	8.0%*

“Estimated ending unreserved fund balance” is defined in Act 2003-48 as that portion of the fund balance which is appropriate for expenditure or not legally or otherwise segregated for a specific or tentative future use, projected for the close of the school year for which a school district’s budget was adopted and held in the general fund accounts of the school district.

*Applicable to the School District.

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Tax Levy Trends

Table 6 which follows shows the recent trend of tax rates levied by the School District. Table 7 shows the comparative trend of real property tax rates for the School District, the Borough, Townships, and the County.

**TABLE 6
WEST CHESTER AREA SCHOOL DISTRICT TAX RATES**

Fiscal Year	Chester County (mills)	Delaware County (mills)	Real Estate Transfer⁽¹⁾ (%)	Wage and Income⁽¹⁾ (%)
2011-12.....	18.3600	14.2200	1.00	1.00
2012-13.....	18.6700	13.7800	1.00	1.00
2013-14.....	18.6700	13.6200	1.00	1.00
2014-15.....	19.2100	13.6500	1.00	1.00
2015-16.....	19.5779	13.9059	1.00	1.00

⁽¹⁾Subject to sharing providing the municipality levies the tax.
Source: School District officials.

**TABLE 7
WEST CHESTER AREA SCHOOL DISTRICT
COMPARATIVE REAL PROPERTY TAX RATES
(Mills on Assessed Value)**

School District	2011-12 (mills)	2012-13 (mills)	2013-14 (mills)	2014-15 (mills)	2015-16 (mills)
Chester County	18.360	18.670	18.670	19.210	19.5779
Delaware County	14.220	13.780	13.620	13.650	13.9059
East Bradford Township	0.071	0.340	0.340	0.340	0.3400
East Goshen Township	1.250	1.250	1.250	1.250	1.2500
Thornbury Township	0.840	0.840	0.840	0.995	0.9950
Thornbury Township (Delaware County)	0.000	0.000	0.000	0.000	0.0000
West Chester Borough	6.960	6.960	6.960	6.960	6.9600
West Goshen Township	2.000	2.000	2.000	2.000	2.0000
West Whiteland Township	0.600	0.600	0.719	0.719	0.7190
Westtown Township	2.500	2.500	3.500	3.500	3.5000
Chester County	3.965	3.965	4.163	4.163	4.1630
Delaware County	5.300	5.452	5.452	5.604	5.6040

Source: Chester County and Delaware County websites.

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Real Property Tax

The real property tax including interim collections (excluding delinquent collections) is estimated to produce \$146,481,801 in 2014-15, approximately 68.7% of overall revenue.

The following tables summarize trends of assessed and market valuations of real property. For the 2008-09 fiscal year, eligible taxpayers could opt into the installment method of payment for their school taxes. Installment payments are based upon three (3) one-third payments of the base tax amount.

Table 8 shows real property assessment data for the School District, Table 9 shows assessment by municipality and Table 10 shows assessment by land use. Table 11 summarizes recent trends in real property tax collection. The last countywide reassessment in Chester County was in 1998 and for Delaware County it was in 2000.

**TABLE 8
WEST CHESTER AREA SCHOOL DISTRICT
REAL PROPERTY ASSESSMENT DATA**

Year	Market Value	Assessed Value
2013-14.....	\$12,546,941,354	\$8,272,286,725
2012-13.....	12,536,540,439	8,271,805,460
2011-12.....	11,993,394,603	8,268,621,635
2010-11.....	11,334,739,358	8,286,028,290
2009-10.....	10,481,392,281	8,304,222,582

Source: The Tax Equalization Division (TED) (formerly PA State Tax Equalization Board (STEB))

**TABLE 9
WEST CHESTER AREA SCHOOL DISTRICT
REAL PROPERTY ASSESSMENT DATA BY MUNICIPALITY**

	2012-13 Market Value	2012-13 Assessed Value	2013-14 Market Value	2013-14 Assessed Value
<i>School District</i>	\$12,536,540,440	\$ 8,271,805,460	\$12,546,941,354	\$8,272,286,725
<i>Chester County</i>	55,170,957,331	37,055,309,471	55,230,853,582	37,069,883,252
East Bradford Township.....	1,210,726,086	813,995,714	1,203,483,784	809,327,724
East Goshen Township.....	2,460,939,292	1,628,940,936	2,443,930,008	1,617,138,666
Thornbury Township.....	432,892,111	305,708,969	436,813,991	308,620,046
Thornbury Township (Delaware County).....	706,387,641	637,926,109	705,298,494	637,639,397
West Chester Borough.....	1,351,845,502	682,467,120	1,367,264,746	690,463,140
West Goshen Township.....	2,741,813,516	1,752,613,703	2,766,431,633	1,766,964,663
West Whiteland Township.....	2,445,784,772	1,700,962,022	2,431,047,996	1,689,754,382
Westtown Township.....	1,186,151,520	749,190,887	1,192,670,703	752,378,707

Source: The Tax Equalization Division (TED) (formerly PA State Tax Equalization Board (STEB))

**TABLE 10
WEST CHESTER AREA SCHOOL DISTRICT
ASSESSMENT BY LAND USE**

	2010	2011	2012	2013	2014
Residential.....	\$6,236,574,475	\$6,244,217,402	\$6,251,775,095	\$6,246,647,821	\$6,259,613,155
Lots.....	46,386,121	41,242,822	33,333,358	30,550,302	15,823,472
Industrial.....	152,694,010	152,724,350	152,354,560	150,608,660	148,415,270
Commercial.....	1,844,995,276	1,824,373,666	1,806,207,942	1,817,913,317	1,782,733,167
Agriculture.....	23,572,700	23,470,050	22,861,940	22,769,440	22,066,740
Trailers.....	0	0	1,446,400	1,442,150	1,451,340
Land.....	0	0	642,340	1,873,770	42,183,581
Total	\$8,304,222,582	\$8,286,028,290	\$8,268,621,635	\$8,271,805,460	\$8,272,286,725

Source: The Tax Equalization Division (TED) (formerly PA State Tax Equalization Board (STEB))

TABLE 11
WEST CHESTER AREA SCHOOL DISTRICT
REAL PROPERTY TAX COLLECTION DATA

<u>Year</u>	<u>Assessed Valuation</u>	<u>Mills</u>	<u>Adjusted Levied⁽¹⁾</u>	<u>Current Collections Amount</u>	<u>Current Year Collections as Percent</u>	<u>Total Collections Amount⁽²⁾</u>	<u>Total Collections as Percent</u>
2010-11.....	\$8,255,798,912	18.36	\$148,965,204	\$140,166,559	94.09%	\$142,972,253	95.98%
2011-12.....	8,267,705,393	18.36	149,159,276	143,252,119	96.04%	147,068,533	98.59%
2012-13.....	8,228,527,694	18.67	150,509,123	144,033,647	95.70%	148,103,524	98.40%
2013-14.....	8,254,223,475	18.67	150,888,350	145,796,697	96.63%	149,162,602	98.85%
2014-15.....	8,295,415,753	19.21	155,782,012	151,076,625	96.98%	154,322,638	99.06%

⁽¹⁾Plus penalties, less discounts and exonerations.

⁽²⁾Includes real property assessments plus delinquent collections.

Source: School District officials.

The ten largest real property taxpayers, together with 2015 assessed values, are shown on Table 12 which follows. The aggregate assessed value of these ten taxpayers totals approximately 3.42% of total assessed value.

TABLE 12
WEST CHESTER AREA SCHOOL DISTRICT
TEN LARGEST REAL PROPERTY TAXPAYERS, 2015-16

<u>Owner</u>	<u>Property</u>	<u>2015 Assessed Value</u>
Exton Square, Inc.	Shopping Mall	\$ 78,683,200
QVC Realty, Inc. ⁽¹⁾	Industrial Bldg./TV Shopping	35,696,530
Main Street at Exton	Shopping Center	28,553,560
TRC Valley Creek Assoc.	Business Complex	28,500,000
HCRI PA Properties Holding Co.	Bellingham Senior Living	22,849,280
Exton Crossing Apts.	Apartment Complex	21,023,480
Whiteland Investors, LP	Shopping Center	19,320,000
Hankin Group	Apartment Complex	17,328,750
Westtown Apt., Inc.	Apartment Complex	16,636,690
Fern Hill LLC	Medical Complex	16,617,370
Total		\$285,208,860

⁽¹⁾ On August 21, 2015 the School District received notification that on August 1, 2015 the above taxpayer filed an appeal for its tax assessment and is scheduled to be heard before the Board of Assessment Appeals on October 7, 2015. If the taxpayer has been denied or is not satisfied with the determination at this level, the taxpayer may file a petition to move the appeal before the Chester County Court of Common Pleas. An appraisal has not yet been performed so the financial impact of the appeal on the School District is yet to be determined.

Source: School District officials.

Other Taxes

Under Act 511, the School District anticipates collecting an estimated \$23,582,006 in taxes in FY 2014-15. Among the taxes authorized by Act 511, the Real Estate Transfer Tax and Wage and Income Taxes are levied by the School District. The Act 511 limit, equal to 12 mills on the market value of real property, was approximately \$1,505,632,962.

Real Estate Transfer. The School District levies a tax of 0.5% of the value of real estate transfers. In FY 2014-15 (estimated) the School District's collected portion of this tax yielded \$3,303,746 of total revenue.

Wage and Income Tax. The School District levies a tax of 0.5% of the earned income of residents. In FY 2014-15 (estimated) the School District's collected portion of this tax yielded \$20,278,260 of total revenue.

Commonwealth Aid to School Districts

Pennsylvania school districts receive financial assistance from the Commonwealth in a number of forms, all subject to statutory provisions and annual appropriation by the Pennsylvania General Assembly.

The largest subsidy, basic instructional subsidy, is allocated to all school districts based on factors such as: (1) the per pupil market value of assessable real property in the school district; (2) the per pupil earned income in the school district; (3) the school district's tax effort, as compared with the tax effort of other school districts in the Commonwealth; and (4) student count. School districts also receive subsidies for special education, pupil transportation, health service and debt service.

The projects and debt service related to the Bonds are not subject to Commonwealth reimbursement.

DEBT AND DEBT LIMITS

Debt Statement

Table 13 which follows shows the debt of the West Chester Area School District as of August 25, 2015 and includes the new issuance of the Bonds.

TABLE 13

**WEST CHESTER AREA SCHOOL DISTRICT
DEBT STATEMENT
(As of August 25, 2015) ***

NONELECTORAL DEBT	Gross Outstanding
General Obligation Bonds, Series A of 2015 (last maturity 2032).....	\$ 9,690,000
General Obligation Bonds, Series of 2015 (last maturity 2017).....	7,850,000
General Obligation Bonds, Series AA of 2014 (last maturity 2030).....	57,635,000
General Obligation Bonds, Series A of 2014 (last maturity 2024).....	30,885,000
General Obligation Bonds, Series of 2014 (last maturity 2032).....	12,000,000
General Obligation Bonds, Series of 2013 (last maturity 2020).....	4,795,000
General Obligation Bonds, Series AA of 2012 (last maturity 2022).....	39,215,000
General Obligation Bonds, Series A of 2012 (last maturity 2032).....	21,000,000
General Obligation Bonds, Series of 2011 (last maturity 2029).....	8,420,000
General Obligation Bonds, Series AA of 2010 (last maturity 2022).....	19,710,000
General Obligation Bonds, Series A of 2010 (last maturity 2022).....	4,975,000
General Obligation Note, Series of 2009 (last maturity 2027).....	9,975,000
General Obligation Bonds, Refunding Series A of 2006 (last maturity 2027).....	36,825,000
General Obligation Bonds, Refunding Series of 2006 (last maturity 2024).....	17,295,000
General Obligation Note, Series B of 2000 Delaware Valley Regional Finance Authority (last maturity 2015).....	1,246,000
NON ELECTORAL DEBT	\$281,516,000
LEASE RENTAL DEBT	
LEASE RENTAL DEBT	\$0
TOTAL NONELECTORAL AND LEASE RENTAL DEBT	\$281,516,000

*Includes the Bonds offered through this Official Statement.

Table 14 presents the overlapping indebtedness and debt ratios of the School District. After the issuance of the Bonds, the principal of direct debt of the School District will total \$281,516,000. After adjustment for available funds and estimated Commonwealth aid, the local effort of direct debt will total \$272,514,532.

TABLE 14
WEST CHESTER AREA SCHOOL DISTRICT
BONDED INDEBTEDNESS AND DEBT RATIOS*
(As of August 25, 2015) *

	Gross Outstanding	Local Effort or Net of Available Funds and Estimated Commonwealth Aid⁽¹⁾
<u>DIRECT DEBT</u>		
Nonelectoral Debt.....	\$281,516,000	\$272,514,532
Lease Rental Debt.....	0	0
TOTAL DIRECT DEBT	\$281,516,000	\$272,514,532
<u>OVERLAPPING DEBT</u>		
Chester County, General Obligation ⁽²⁾	\$120,730,697	\$120,730,697
Delaware County, General Obligation ⁽³⁾	103,113,466	103,113,466
Municipal Debt.....	98,009,441	98,009,441
TOTAL OVERLAPPING DEBT	\$321,853,603	\$321,853,603
TOTAL DIRECT AND OVERLAPPING DEBT	\$603,369,603	\$594,368,135
<u>DEBT RATIOS</u>		
Per Capita (2010).....	\$5,564.04	\$5,481.03
Percent 2013-14 Assessed Value.....	7.29%	7.19%
Percent 2013-14 Market Value.....	4.81%	4.74%

*Includes the Bonds offered through this Official Statement.

⁽¹⁾Gives effect to expected future Commonwealth Reimbursement of School District sinking fund payments based on current CARF. See "Commonwealth Aid to School Districts".

⁽²⁾Pro rata 22.72% share of \$531,449,000 principal outstanding, including self-supporting debt of the County or local municipalities.

⁽³⁾Pro rata 31.3% share of \$329,462,000 principal outstanding, including self-supporting debt of the County or local municipalities.

Debt Limit and Remaining Borrowing Capacity

The statutory borrowing limit of the School District under the Debt Act is computed as a percentage of the School District's "Borrowing Base". The "Borrowing Base" is defined as the annual arithmetic average of "Total Revenues" (as defined by the Debt Act), for the three full fiscal years ended next preceding the date of incurring debt. The School District calculates its present borrowing base and borrowing capacity as follows:

Total Revenues for FY 2012-13	\$204,382,268
Total Revenues for FY 2013-14	205,292,951
Total Revenues for FY 2014-15 (est.)	212,153,777
<i>Total Revenues, All Three Fiscal Years.....</i>	<u>\$621,828,996</u>
 Annual Arithmetic Average (Borrowing Base)	 <u>\$207,276,332</u>

Under the Debt Act as presently in effect, no school district shall incur any nonelectoral debt or lease rental debt, if the aggregate net principal amount of such new debt together with any other net nonelectoral debt and lease rental debt then outstanding, would cause the net nonelectoral debt plus net lease rental debt to exceed 225% of the Borrowing Base. The application of the aforesaid percentage to the School District's Borrowing Base produces the following product:

	<u>Legal Limit</u>	<u>Net Debt Outstanding*</u>	<u>Remaining Borrowing Capacity</u>
Net Nonelectoral Debt Limit:			
225% of Borrowing Base	\$466,371,747	\$281,516,000	\$184,855,747

*Includes the Bonds described herein, and does not reflect credits against gross indebtedness that may be claimed for a portion of principal of any debt to be reimbursed by Commonwealth aid.

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Debt Service Requirements

Table 15 presents the debt service requirements on the School District's outstanding general obligation indebtedness including debt service on the Bonds.

The School District has never defaulted on the payment of debt service.

TABLE 15

**WEST CHESTER AREA SCHOOL DISTRICT
DEBT SERVICE REQUIREMENTS***

<u>Year</u>	<u>Other General Obligation Debt</u>	<u>Series A of 2015</u>		<u>Subtotal</u>	<u>Total Requirements</u>
		<u>Principal</u>	<u>Interest</u>		
2015-16	\$ 20,506,101	\$0	\$161,843	\$161,843	\$20,667,943
2016-17	24,980,030	5,000	257,803	262,803	25,242,833
2017-18	25,252,038	5,000	257,738	262,738	25,514,775
2018-19	25,311,631	5,000	257,673	262,673	25,574,304
2019-20	25,273,866	5,000	257,608	262,608	25,536,474
2020-21	25,254,376	5,000	257,543	262,543	25,516,919
2021-22	25,202,064	5,000	257,443	262,443	25,464,506
2022-23	25,036,089	5,000	257,343	262,343	25,298,431
2023-24	25,144,876	5,000	257,243	262,243	25,407,119
2024-25	25,073,914	5,000	257,123	262,123	25,336,036
2025-26	25,072,170	5,000	257,003	262,003	25,334,173
2026-27	24,677,283	5,000	256,883	261,883	24,939,165
2027-28	22,263,708	1,830,000	256,763	2,086,763	24,350,470
2028-29	16,809,170	1,875,000	211,928	2,086,928	18,896,098
2029-30	16,078,650	1,925,000	164,115	2,089,115	18,167,765
2030-31	7,340,350	1,975,000	112,140	2,087,140	9,427,490
2030-32	7,340,975	2,030,000	56,840	2,086,840	9,427,815
Total	\$366,617,289	\$9,690,000	\$3,795,025	\$13,485,025	\$380,102,314

*Totals may not add due to rounding.

Table 16 presents data on the extent to which Commonwealth Aid provides coverage for debt service requirements.

TABLE 16

**WEST CHESTER AREA SCHOOL DISTRICT
COVERAGE OF DEBT SERVICE
REQUIREMENTS BY COMMONWEALTH AID***

2014-15 (est.) Commonwealth Aid Received	\$34,306,999
2014-15 (est.) Debt Service Requirements	21,275,442
Maximum Future Debt Service Requirements after Issuance of Bonds.....	25,574,304
Coverage of 2014-15 (est.) Debt Service Requirements	1.61 times
Coverage of Maximum Future Debt Service Requirements after Issuance of Bonds	1.34 times

*Assumes current Commonwealth Aid Ratio. See "Commonwealth Aid to School Districts."

Future Financing

The School District anticipates issuing additional long-term debt of approximately \$25,000,000 within the next three years to complete its capital improvement program.

LABOR RELATIONS

School District Employees

There are approximately 1,413 employees of the School District.

The West Chester Area Education Association (the "Association"), which is affiliated with the Pennsylvania State Education Association (PSEA), covering the professional employees of the School District other than administrators is under a contract which expires June 30, 2017. Secretarial and clerical personnel are represented by the Pennsylvania Education Association (ESPA-PSEA-NEA) under a contract which expired June 30, 2015 [contract negotiations are currently underway]. Custodial and maintenance personnel are represented by ESPA-PSEA under a contract which expires June 30, 2019.

Pension Program

School Districts in Pennsylvania are required to participate in a statewide pension program administered by the Public School Employees Retirement System (PSERS). All of the School District's full-time employees, part-time employees who work more than 80 days in a school year, and hourly employees who work over 500 hours a year participate in the program. However, please note a Pennsylvania Supreme Court decision⁽¹⁾ has removed the hourly de minimis requirement for current members of PSERS regarding the purchase of credit for their part-time school service rendered prior to their being members of PSERS, for purposes of increasing their pension benefits.

Beginning July 1, 1976, certain revisions were made in the pension program. The Retirement Board, previously under the Department of Education of the Commonwealth, became an independent agency. However, the program is still guaranteed by the Commonwealth. Currently, each party to the program contributes a fixed percentage of the employee's salary as follows:

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

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

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

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

The Public School Employees Retirement System (PSERS) Board of Trustees certified an annual employer contribution rate of 25.84% for fiscal year 2015-16, which begins on July 1, 2015. This marks the fifth year of planned increases in the employer contribution rate under Act 120 of 2010 which are needed to raise the rate to the actuarially required level.

The 25.84% employer contribution rate is composed of 0.84% for health insurance premium assistance and a pension rate of 25.00%. The pension component of the rate was capped at a 4.50% increase from the previous year. The rate maximums established under Act 120 of 2010 remain in effect for the next fiscal year and continue to suppress the pension rate and underfund the System. Based on current projections, fiscal year 2015-16 would be the last fiscal year rate minimums and maximums will be in place. Total employer contributions of \$3.45 billion are estimated in 2015-16. The Commonwealth reimburses school employers for not less than 50% of the total employer contribution rate. The net contributions for the School District are as follows:

2010-11	\$ 5,067,702
2011-12	7,345,700
2012-13	10,373,600
2013-14	14,359,550
2014-15 (estimated)	18,991,800
2015-16 (budgeted)	22,975,000

PSERS is also funded through investment earnings and mandatory member contributions. Investment earnings are the largest source of funding for PSERS. For the most recent fiscal year ended June 30, 2014, PSERS' investments added over \$7.1 billion in net investment income to the fund. PSERS members contribute from 5.25% to 10.30% of pay depending on their membership class and when they joined PSERS. Members will contribute an average of 7.49% or approximately \$1 billion in 2015-16.

⁽¹⁾Pennsylvania Sch. Boards Ass'n, Inc. v. Com., Pub. Sch. Employees' Ret. Bd., 580 Pa. 610, 612, 863 A.2d 432, 434 (2004).

Source: Pennsylvania School Board Association at www.PSBA.org and PSERS at www.PSERS.state.pa.us

Other Post-Employment Benefits (“OPEB”)

The School District is obligated under certain professional employees’ collective bargaining agreements and certain Pennsylvania legal provisions to provide medical and prescription benefits coverage for retired employees for a period following retirement as stipulated in such bargaining unit or legal requirements. The School District’s annual other Post-employment benefit (OPEB) cost (expense is calculated based on the annual required contribution of the employer (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the School District’s annual OPEB cost for the year, the amount actually contributed to the plan and the changes in the School District’s net OPEB obligation.

Annual OPEB Cost:	
Normal Cost	\$898,916
Amortization of unfunded actuarial accrued liability	1,108,125
Interest on Net OPEB Obligation	1,884
Funding Adjustment	(2,428)
ANNUAL OPEB COST	\$2,006,497
Net OPEB Obligation (Asset):	
Normal OPEB Obligation July 1, 2011	\$41,873
OPEB Cost for the year ended June 30, 2012	2,006,497
Contributions for year ended June 30, 2012	(2,011,190)
NET OPEB OBLIGATION (ASSET)	\$37,180

Source: School District 2013 Actuary Report.

LITIGATION

At the time of settlement, the President or Vice-President of the Board of School Directors of the School District will deliver a certificate dated as of the date of delivery of and payment for the Bonds, certifying that there is no litigation pending which challenges the validity or enforceability of the Bonds and there is no litigation pending which would materially affect the validity of the Bonds.

DEFAULTS AND REMEDIES

In the event of failure of the School District to pay or cause to be paid the interest on or principal of the Bonds, the holders of the Bonds shall be entitled to certain remedies provided by the Debt Act. Among the remedies, if the failure to pay shall continue for 30 days, holders of the Bonds shall have the right to recover the amount due by bringing actions in assumpsit in the Court of Common Pleas of Chester and Delaware Counties. The Debt Act provides that any judgment shall have an appropriate priority upon the funds next coming into the treasury of the School District. The Debt Act also provides that upon a default of at least 30 days, holders of at least 25 percent of the Bonds may appoint a trustee to represent them. The Debt Act provides certain other remedies in the event of default, and further qualifies the remedies hereinbefore described.

TAX EXEMPTION AND OTHER TAX MATTERS

Federal Income Tax Matters

On the date of delivery of the Bonds, Rhoads & Sinon LLP, having an office in Harrisburg, Pennsylvania, as Bond Counsel to the School District, will issue an opinion to the effect that under existing statutes, regulations and judicial decisions, interest on the Bonds is excluded from gross income for purposes of federal income taxation and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, but that in the case of corporations (as defined for federal income tax purposes) such interest is taken into account in determining adjusted current earnings for purposes of such alternative minimum tax. This opinion of Bond Counsel will assume the accuracy of certifications made by the School District and will be subject to the condition that the School District will comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excluded from gross income for federal income tax purposes. See the proposed text of the Opinion of Bond Counsel appended to this Official Statement. The School District has covenanted to comply with all such requirements, which include, among others, restrictions upon the yield at which proceeds of the Bonds and other money held for the payment of the Bonds and deemed to be “proceeds” thereof may be invested and the requirement to calculate and rebate any arbitrage that may be generated with respect to investments allocable to the Bonds. Failure to comply with such requirements could cause the interest on the Bonds to be included in gross income retroactive to the date of issuance of the Bonds.

Certain maturities of the Bonds may be sold to the public in the initial offering at a price less than the stated redemption price of such Bonds at maturity (that is, at less than par or the stated principal amount), the difference being “original issue discount”. Generally, original issue discount accruing on a tax-exempt obligation is treated as interest excludable from gross income for federal income tax purposes. In addition, original issue discount that has accrued on a tax-exempt obligation is treated as an adjustment to the issue price of the obligation for the purpose of determining taxable gain upon sale or other disposition of such obligation prior to maturity. The Internal Revenue Code of 1986, as amended, provides specific rules for the accrual of original issue discount on tax-exempt obligations for federal income tax purposes. Prospective purchasers of Bonds being sold with original issue discount should consult their tax advisors for further information.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain subchapter S corporations with substantial passive income and Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Bonds. Bond Counsel will express no opinion as to such collateral tax consequences, and prospective purchasers of the Bonds should consult their tax advisors.

No representation is made or can be made by the School District or any other party associated with the issuance of the Bonds as to whether or not any legislation now or hereafter introduced and enacted will be applied retroactively so as to subject interest on the Bonds to inclusion in gross income for Federal income tax purposes or so as to otherwise affect the marketability or market value of the Bonds. Enactment of any legislation that subjects the interest on the Bonds to inclusion in gross income for federal income tax purposes or otherwise imposes taxation on the Bonds or the interest paid thereon may have an adverse effect on the market value or marketability of the Bonds.

Changes in Federal Tax Laws

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The disclosures and opinions expressed herein are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and no opinion is expressed as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

Pennsylvania Tax Matters

On the date of delivery of the Bonds, Bond Counsel will issue an opinion to the effect that under the laws of the Commonwealth of Pennsylvania (the “Commonwealth”) as presently enacted and construed, the Bonds are exempt from personal property taxes within the Commonwealth and the interest on the Bonds is exempt from the Commonwealth’s Personal Income Tax and the Commonwealth’s Corporate Net Income Tax. See the proposed text of the Opinion of Bond Counsel appended to this Official Statement.

Profits, gains or income derived from the sale, exchange or other disposition of the Bonds are subject to state and local taxation within the Commonwealth, in accordance with Pennsylvania Act No. 1993-68.

Certain maturities of the Bonds may be sold to the public in the initial offering at a price less than their stated redemption price at maturity (that is, at an “original issue discount”). For Pennsylvania Personal Income Tax purposes, original issue discount on publicly offered obligations is treated under current regulations of the Pennsylvania Department of Revenue as interest and, for purposes of determining taxable gain upon sale or other distribution of an obligation, the interest on which is exempt from income taxation by the Commonwealth, as an adjustment to basis. For Pennsylvania Corporate Net Income Tax purposes, original issue discount is to be accorded similar treatment, according to a Private Letter Ruling issued by the Office of the Chief Counsel of the Pennsylvania Department of Revenue dated December 2, 1993, but such Private Letter Ruling may be relied upon only by the taxpayer to whom it was addressed.

Prospective purchasers of Bonds issued with original issue discount should consult their tax advisors for further information and advice concerning the reporting of profits, gains or other income related to a sale, exchange or other disposition of such Bonds for Pennsylvania tax purposes.

No representation is made or can be made by the School District, or any other party associated with the issuance of the Bonds, as to whether or not any legislation now or hereafter introduced and enacted in the Commonwealth will be applied, either prospectively or retroactively, so as to subject interest on such Bonds to taxation in the Commonwealth or so as to otherwise affect the marketability or market value of such bonds. Enactment of any legislation that subjects the interest on such bonds to state or local taxes in the Commonwealth or otherwise imposes taxation on such Bonds may have an adverse effect on the market value or marketability of such bonds.

Federal Income Tax Interest Expense Deductions for Financial Institutions

Under the Internal Revenue Code of 1986, as amended (the “Code”), financial institutions are disallowed 100 percent of their interest expense deductions that are allocable, by a formula, to tax-exempt obligations acquired after August 7, 1986. An exception, which reduces the amount of the disallowance is provided for certain tax-exempt obligations that are designated or “deemed designated” by the issuer as “qualified tax-exempt obligations” under Section 265 of the Code.

Each of the Bonds has been designated as a “qualified tax-exempt obligation” for purposes and effect contemplated by Section 265 of the Code (relating to expenses and interest relating to tax-exempt income of certain financial institutions).

Financial institutions intending to purchase Bonds should consult with their professional tax advisors to determine the effect of the interest expense disallowance on their federal income tax liability.

CONTINUING DISCLOSURE UNDERTAKING

In accordance with the requirement of Rule 15-c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission (the “SEC”), the School District (being an “obligated person” with respect to the Bonds, within the meaning of the Rule), will agree to provide certain financial and operating information to the Municipal Rulemaking Board (the “MSRB”) in an electronic format as prescribed by the MSRB, either directly or indirectly through a designated agent as set forth in its Continuing Disclosure Certificate, substantially in the form attached hereto as Appendix C.

With respect to the filing of annual financial and operating information, the School District reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information to the extent necessary or appropriate as a result of a change in legal requirements or a change in the nature of the School District or its operations or financial reporting, but the School District will agree that any such modification will be done in a manner consistent with the Rule.

The School District is required to give notice of certain events as set forth in Section 6 of the Continuing Disclosure Certificate (not all of which will be relevant to the School District). The School District may from time to time choose to file notice of other events in addition to those specified in the Continuing Disclosure Certificate, but does not commit to provide notice of the occurrence of any events except those specifically listed in Section 6 of the Continuing Disclosure Certificate.

The School District acknowledges that its undertaking pursuant to the Rule described herein and in the Continuing Disclosure Certificate is intended to be for the benefit of the holders and beneficial owners of the Bonds and shall be enforceable by the older and beneficial owner of the Bonds, but the right of the holders and beneficial owners of the Bonds to enforce the provisions of the School District’s continuing disclosure undertaking shall be limited to a right to obtain specific enforcement, and any failure by the School District to comply with the provisions of the undertaking shall not be an event of default with respect to the Bonds.

The School District’s obligations with respect to continuing disclosure described herein shall terminate upon the prior redemption or payment in full of all of the Bonds or if and when the School District is no longer an “obligated person” with respect to the Bonds, within the meaning of the Rule.

The MSRB has been designated by the SEC to be the central and sole repository for continuing disclosure information filed by issuers of municipal securities since July 1, 2009. Information and notices filed by municipal issuers (and other defined “obligated persons”) with respect to municipal securities issues are made available through the MSRB’s Electronic Municipal Market Access (EMMA) System, which may be accessed on the internet at <http://www.emma.msrb.org>.

Existing Continuing Disclosure Filing History

The School District has entered into prior undertakings to provide information pursuant to continuing disclosure certificates for several outstanding bond issues. The following table provides information regarding annual filing deadlines and history of filings for the financial information, operating data and material event notices specified in previous continuing disclosure undertakings during the past five years:

Fiscal Year Ending	Filing Deadline ^[1]	Financial Statements		Budget		Operating Data	
		Filing Date	EMMA ID ^[2]	Filing Date	EMMA ID ^[2]	Filing Date	EMMA ID ^[2]
6/30/2010	12/27/2010	10/20/2011 ^[3]	ER444378	09/19/2014	EP664161	09/19/2014	EP664190
6/30/2011	12/27/2011	01/18/2012	ER479237	09/19/2014	EP664162	09/19/2014	EP664193
6/30/2012	12/27/2012	12/06/2012	EP588966	12/06/2012	EP588966	09/19/2014	EP664194
6/30/2013	12/27/2013	12/18/2013	ER594251	12/18/2013 ^[4]	ER594251	09/19/2014	EP664196
6/30/2014	12/27/2014	12/16/2014	EP674031	12/16/2014	EP674036	12/16/2014	EP674039

Notes:

^[1] For these purposes, assumes the shortest filing deadline of the School District's previous Continuing Disclosure Agreements

^[2] Submission ID is the EMMA Submission ID for each filing. To access a filing, insert the Submission ID to the end of the web address below:
<http://emma.msrb.org/ContinuingDisclosureView/ContinuingDisclosureDetails.aspx?submissionId=>

^[3] Audited financial statements were uploaded to the School District's website, which is publicly available, on 2/24/2011. Audited financial statements were filed to EMMA on 10/20/2011 (EMMA ID ER444378).

^[4] Labeled as the June 30, 2013 budget; however, when the Adobe pdf is launched it is the June 30, 2014 budget.

As outlined in the table above, the School District failed to provide certain annual financial information in a timely manner during the past five (5) years, the School District subsequently filed all the required annual financial information along with a "Failure to Provide" notice to the MSRB's EMMA System.

With regards to the Material Events listed in the Continuing Disclosure Certificate, attached hereto as Appendix C, some of the School District's bond issues outstanding during the past five (5) years were insured by various bond insurance companies that have received rating downgrades and upgrades by both S&P and Moody's. This information was publicly available from widely accepted information sources at the time of their respective downgrades or upgrades. For informational purposes, the School District filed a summary of rating upgrades and downgrades relating to certain bond insurance companies.

Future Continuing Disclosure Compliance

As detailed above, the School District has reviewed its continuing disclosure obligations and corresponding submissions. Upon discovering any inadvertent omissions with respect to these filings, the School District has brought its continuing disclosure information current, and has disclosed those omissions as described above. Currently, the School District is not aware of any other outstanding past-due continuing disclosure filings.

In an effort to augment the School District's procedures and policies to maintain future compliance, the School District has adopted steps intended to facilitate future compliance with its Continuing Disclosure Certificates. These steps include implementing the MSRB's EMMA's internal notification system whereby the School District has set-up email reminders a month in advance for all of the School District's annual disclosure filings and coordinating with the School District's financial advisor to ensure all disclosure obligations have been made on a timely basis and in all material respects.

A member of the School District's business office has been designated the "compliance officer" responsible for overseeing ongoing continuing disclosure compliance. Members of the School District's business office will seek to participate in ongoing continuing education regarding continuing disclosure undertaking if offered by local groups or affiliated organizations such as PASBO, etc. The School District may communicate with its financial advisor, underwriter(s), bond counsel, or solicitor regarding any questions or concerns regarding ongoing continuing disclosure compliance. The School District will also communicate with its local auditor and advise of the School District's need for financial statements in a timely manner. In the event audited financial statements are not available by the filing deadline, the School District will file to EMMA, if available, its PDE-2057 Annual Financial Report as an interim filing until such audited financial statements are available. Some of the operating data requirements may be found contained within the School District's financial statements or budget filing and may not be filed explicitly by themselves.

RATING

Moody's Investors Service has assigned an underlying municipal Bond rating of "Aaa" (stable outlook) to the Bonds. Such rating reflects only the view of such organization and any desired explanation of the significance of such rating should be obtained from the rating agency furnishing the same, at the following address: Moody's Investors Service, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that any such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency, if circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

UNDERWRITING

The Underwriter has agreed to purchase the Bonds for a purchase price of \$9,676,318.35, equal to the par value of the Bonds less an underwriters' discount of \$22,480.80, plus a net original issue premium of \$8,799.15, plus accrued interest from the dated date to the date of delivery of the Bonds.

LEGAL OPINION

The Bonds are offered when, as and if issued, subject to withdrawal or modification of the offer without notice, and subject to the approving legal opinion of Rhoads & Sinon LLP, Harrisburg, Pennsylvania, Bond Counsel to the School District, to be furnished upon delivery of the Bonds. Certain other legal matters will be passed upon for the School District by Unruh, Turner, Burke & Frees, P.C, of West Chester, Pennsylvania, School District Solicitor.

FINANCIAL ADVISOR

The School District has retained Public Financial Management, Inc., Harrisburg, Pennsylvania, as financial advisor (the "Financial Advisor") in connection with the preparation, authorization and issuance of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement. Public Financial Management, Inc. is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

MISCELLANEOUS

This Official Statement has been prepared under the direction of the School District by Public Financial Management, Inc., Harrisburg, Pennsylvania, in its capacity as Financial Advisor to the School District. The information set forth in this Official Statement has been obtained from the School District and from other sources believed to be reliable. Insofar as any statement herein includes matters of opinion or estimates about future conditions, it is not intended as representation of fact, and there is no guarantee that it is, or will be, realized. Summaries or descriptions of provisions of the Bonds, the Resolution, and all references to other materials not purporting to be quoted in full are only brief outlines of some of the provisions thereof. Reference is hereby made to the complete documents, copies of which will be furnished by the School District or the Financial Advisor upon request. The information assembled in this Official Statement is not to be construed as a contract with holders of the Bonds.

The School District has authorized the distribution of this Official Statement.

WEST CHESTER AREA SCHOOL DISTRICT
Chester and Delaware Counties, Pennsylvania

By: /s/ Dr. Ricky Swalm
President, Board of School Directors

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APPENDIX A
Demographic and Economic Information
Relating to the West Chester Area School District

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Introduction

The School District encompasses several communities in central Chester County and one municipality in western Delaware County and covers an area of approximately 75 square 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, all located 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 county seat of Chester County, is approximately 25 miles west of metropolitan Philadelphia, 15 miles north of Wilmington, Delaware and 15 miles south of King of Prussia and Valley Forge. Many well-known unincorporated communities are located within the School District and these include: Exton in West Whiteland Township, Goshenville in East Goshen Township, Chatwood in West Goshen Township, Cheyney and Glen Mills in Thornbury Township, Delaware County and Darlington Corners in Westtown Township.

West Chester Area School District is characterized by rolling hills and fertile valleys flanking the east branch of the Brandywine Creek and the tributaries of the Chester Creek. 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. Four major public institutions are within the School District: West Chester University; Cheyney University; Chester County Courthouse; and Chester County Hospital.

Table A-1 which follows shows recent population trends for the School District, Chester County and the Commonwealth of Pennsylvania. Table A-2 shows 2000 age composition and average number of persons per household in Chester County and for the Commonwealth. Average household size was higher for Chester County than the statewide average.

**TABLE A-1
RECENT POPULATION TRENDS**

<u>Area</u>	<u>2000</u>	<u>2010</u>	<u>Compound Average Annual Percentage Change 2000-2010</u>
School District	101,207	108,441	0.77%
Chester County	376,396	433,501	1.58%
Pennsylvania	11,881,643	12,281,054	0.37%

Source: U.S. Census Bureau, Census 2000 & 2010 Redistricting Data (Public Law 94-171) Summary File and the Pennsylvania State Data Center.

**TABLE A-2
AGE COMPOSITION**

	<u>0-17 Years</u>	<u>65+ Years</u>	<u>Persons Per Household</u>
Chester County	26.2%	11.7%	2.7
Pennsylvania	23.8%	15.6%	2.5

Source: Pennsylvania State Data Center, 2000 General Population and Housing Characteristics: Pennsylvania.

Employment

Overall employment data are not compiled for the School District, but such data are compiled for the Montgomery-Bucks-Chester, PA Metropolitan Division (an area which includes the School District) as shown on Table A-3.

DISTRIBUTION OF EMPLOYMENT BY INDUSTRY MONTGOMERY-BUCKS-CHESTER, PA METROPOLITAN DIVISION (Bucks, Chester, and Montgomery – PA Counties)

**TABLE A-3
NONFARM JOBS - NOT SEASONALLY ADJUSTED**

ESTABLISHMENT DATA	Industry Employment				Net Change From:	
	June 2015	May 2015	April 2015	June 2014	May 2015	June 2014
TOTAL NONFARM	1,046,600	1,040,600	1,029,600	1,033,200	6,000	13,400
TOTAL PRIVATE	963,600	956,900	946,000	949,600	6,700	14,000
GOODS-PRODUCING	142,800	142,000	140,000	140,300	800	2,500
Mining, Logging and Construction	52,500	51,900	50,100	49,300	600	3,200
Manufacturing	90,300	90,100	89,900	91,000	200	(700)
Durable Goods	45,400	45,200	45,500	47,100	200	(1,700)
Non-Durable Goods	44,900	44,900	44,400	43,900	0	1,000
Chemical mfg.	19,200	19,100	19,000	18,900	100	300
SERVICE-PROVIDING	903,800	898,600	889,600	892,900	5,200	10,900
PRIVATE SERVICE-PROVIDING	820,800	814,900	806,000	809,300	5,900	11,500
Trade, Transportation, and Utilities	210,100	209,000	208,000	206,200	1,100	3,900
Wholesale trade	59,700	58,400	58,100	58,700	1,300	1,000
Retail trade	122,600	122,700	121,900	120,900	(100)	1,700
General merchandise stores	17,500	17,300	17,400	17,800	200	(300)
Transportation, Warehousing and Utilities	27,800	27,900	28,000	26,600	(100)	1,200
Information	20,400	20,500	20,400	20,900	(100)	(500)
Financial Activities	77,900	78,700	78,300	77,200	(800)	700
Finance and Insurance	64,300	64,800	64,700	63,300	(500)	1,000
Credit intermediation and related activities	15,200	15,500	15,600	15,600	(300)	(400)
Depository credit intermediation	9,900	10,000	10,100	10,000	(100)	(100)
Insurance carriers and related activities	26,300	26,600	26,600	26,500	(300)	(200)
Real estate and rental and leasing	13,600	13,900	13,600	13,900	(300)	(300)
Professional and Business Services	194,600	194,200	191,500	196,000	400	(1,400)
Professional and technical services	100,000	99,400	99,900	102,400	600	(2,400)
Scientific research and development services	14,700	14,600	14,500	14,400	100	300
Management of companies and enterprises	26,800	26,500	26,200	26,700	300	100
Administrative and waste services	67,800	68,300	65,400	66,900	(500)	900
Education and Health Services	179,600	178,400	180,300	172,600	1,200	7,000
Educational services	24,100	26,600	28,700	23,900	(2,500)	200
Health care and social assistance	155,500	151,800	151,600	148,700	3,700	6,800
Ambulatory health care services	56,700	54,600	55,000	53,600	2,100	3,100
Hospitals	31,900	31,400	31,300	31,200	500	700
Nursing and residential care facilities	38,100	37,400	37,200	37,000	700	1,100
Social assistance	28,800	28,400	28,100	26,900	400	1,900
Leisure and Hospitality	91,200	86,100	79,600	88,300	5,100	2,900
Accommodation and food services	69,800	68,500	66,900	68,200	1,300	1,600
Other Services	47,000	48,000	47,900	48,100	(1,000)	(1,100)
Government	83,000	83,700	83,600	83,600	(700)	(600)
Federal Government	6,000	6,000	6,100	5,900	0	100
State Government	8,800	9,800	9,800	8,600	(1,000)	200
Local Government	68,200	67,900	67,700	69,100	300	(900)
Local government educational services	47,900	48,800	48,700	48,000	(900)	(100)
Local government excluding educational services	20,300	19,100	19,000	21,100	1,200	(800)

Data benchmarked to March 2014

Data changes of 100 may be due to rounding

Source: Pennsylvania Department of Labor & Industry, Center for Workforce Information & Analysis.

The largest employers located within the School District include:

<u>Name</u>	<u>Product or Service</u>	<u>Employment</u>
QVC Network, Inc.	Home Shopping Network	3,682
Chester County	County Government	2,620
United Parcel Service, Inc.	Delivery Services	2,593
Chester County Hospital	Health Care Services	2,111
Therakos	Health Care Products	1,690
West Chester Area School District	Education	1,489
West Chester University	Education	1,457
Synthes Spine Co. LP	Medical Technology	1,332
A. Duie Pyle, Inc.	Trucking	874
Communication Test Design	Communications Hardware	844

Source: School District officials

Industries located in nearby communities include:

<u>Name</u>	<u>Community</u>
DuPont Corporation	Wilmington
Hercules Corporation	Wilmington
S.M.S. Corporation	Great Valley
Lockheed Martin	Valley Forge
S.E.I. Corporation	Valley Forge
Vanguard Group	Great Valley

Source: School District officials.

Table A-4 shows recent trends in labor force, employment and unemployment for Chester County and the Commonwealth.

**TABLE A-4
TRENDS IN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
NOT SEASONALLY ADJUSTED**

Chester County				
<u>Time Period</u>	<u>Labor Force</u>	<u>Employed</u>	<u>Unemployed</u>	<u>Unemployment Rate</u>
2010	265,900	248,600	17,200	6.5%
2011	266,600	250,100	16,500	6.2%
2012	270,300	253,600	16,700	6.2%
2013	271,800	256,000	15,800	5.8%
2014	272,300	261,000	11,200	4.1%
June 2015	278,400	267,000	11,300	4.1%
Pennsylvania				
<u>Time Period</u>	<u>Labor Force</u>	<u>Employed</u>	<u>Unemployed</u>	<u>Unemployment Rate</u>
2010	6,392,000	5,851,000	541,000	8.5%
2011	6,397,000	5,885,000	512,000	8.0%
2012	6,466,000	5,954,000	513,000	7.9%
2013	6,460,000	5,982,000	478,000	7.4%
2014	6,352,000	6,033,000	319,000	5.0%
June 2015	6,475,000	6,119,000	356,000	5.5%

Source: Pennsylvania Department of Labor and Industry, Center for Workforce Information and Analysis website.

Income

The data on Table A-5 shows recent trends in per capita income for the School District, Chester County and the Commonwealth over the 2000-2009 period.

**TABLE A-5
RECENT TRENDS IN PER CAPITA INCOME***

	<u>2000</u>	<u>2009</u>	<u>Percentage Change 2000-2009</u>
School District	\$35,713	\$41,433	1.66%
Chester County	20,601	31,627	4.88%
Pennsylvania	14,068	20,880	4.49%

*Income is defined by the Bureau of the Census as the sum of wage and salary income, non-farm self-employment income, net self-employment income, Social Security and Railroad retirement income, public assistance income, interest, dividends, pensions, etc. before deductions for personal income taxes, Social Security, etc. School District income is the population-weighted average for political subdivisions.

Source: 2000: U.S. Census Bureau, Summary File 1 (SF 1) and Summary File 3 (SF 3) & 2009: U.S. Census Bureau, 2005-2009 American Community Survey.

Commercial Activity

Commercial activity within the School District is centered in the Borough of West Chester and in large shopping centers, including Exton Square and the West Goshen Shopping Center.

Exton Square, a large shopping mall, includes many major shops and the Chester County Library centered around three anchored major retail stores. The enclosed mall is situated four miles north of the Borough of West Chester at the intersection of U.S. Route 30 and 100. Other large shopping centers include: Fairfield Place and Whiteland Towne Center.

Table A-6 shows retail sales for the 2011-2015 period for the County, the PMSA and the Commonwealth.

**TABLE A-6
TOTAL RETAIL SALES
(000)**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Chester County	\$ 12,218,832	\$ 12,210,801	\$ 8,705,297	\$ 12,708,571	\$ 12,869,709
PMSA	94,935,061	94,890,513	89,309,763	91,259,939	92,944,956
Pennsylvania.....	188,193,104	188,149,727	187,412,600	199,975,257	198,215,135

Source: The Nielsen Company.

Housing

Housing construction has progressed in an orderly fashion during the past decade as former agricultural land has been developed in accordance with strict zoning guidelines. The School District contains some of the finest single-family residential housing in the greater Delaware Valley area. Most new home construction taking place in the School District is in the \$555,000 median price range. The median selling price of all housing within the School District during 2007 was \$319,000, as compared with Chester County as a whole of \$312,500, according to the Chester County Planning Commission.

Educational Institutions

West Chester University and Cheyney University are located within the School District. Both universities are run by the Commonwealth of Pennsylvania. West Chester University, which is located in the Borough of West Chester and West Goshen Township, is a multi-purpose university. Cheyney University is located in Thornbury Township, Delaware and Chester Counties. Both universities provide a liberal arts education.

Medical Facilities

Medical care facilities are provided by Chester County Hospital (the "Hospital") in West Chester. The Hospital provides complete professional, medical and surgical treatment to the central and eastern portions of Chester County. Paoli Memorial Hospital, while outside the School District, is within easy reach.

Transportation

The School District's economic position has been bolstered by a network of federal and state highways and has realized further growth due to the opening of the Exton Bypass. The School District is served by over eighty motor freight companies. U.S. 202 passes through the School District in a north-south direction connecting the area with Valley Forge to the north and Wilmington, Delaware to the south. U.S. 30 crosses the area in an east-west direction connecting the area with Lancaster via Coatesville to the west and Philadelphia via Paoli to the east. State Route 100 connects the School District with the Pennsylvania Turnpike (Downingtown Interchange) which is approximately 2 miles north of the School District. Other major highways include: U.S. 1 and 322 and State Routes 3 (West Chester Pike), 29, 52, 162, 352, 842, and 926.

Passenger railroad service is provided by one line, Main Line, by Southeastern Pennsylvania Transportation Authority (SEPTA). Freight services are provided by two branch lines of Conrail.

Bus service to Philadelphia and Wilmington is provided by SEPTA. Light plane air service is available at West Chester Airport, established in 1959, which has single and multiple engine aircraft available for charter flights with licensed pilots, and student flight training.

Recreation

School District residents have access to a variety of recreational facilities through public, private and quasi-public agencies. There are four private and several public golf courses located in the School District. The Borough of West Chester, East Bradford, East Goshen, West Goshen and West Whiteland Townships provide recreational parks throughout the area for use by their residents.

Utilities

Sewer: Resident of portions of East Goshen Township, portions of East Bradford Township portions of West Goshen Township, portions of West Whiteland Township, West Chester Borough and portions of Westtown Township are provided with sewer service by either various municipal authorities or the municipality. Some of the less developed portions of these areas are served by on-site systems. All other Townships are served by on-site systems.

Water: Aqua Pennsylvania, Inc. and other private water companies supply water service to the Borough and developed portions of the various Townships. Other residents of the Townships are served by on-site wells.

Electricity and Gas: PECO provides both electricity and natural gas to users within the School District.

Telephone: Verizon supplies telephone service to residents of the School District.

Municipal Services

All Townships and the Borough have full-time protection from either the state police or local police departments. The Embreeville State Police is located just outside the School District. All communities support their local volunteer fire companies.

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APPENDIX B
Form of Opinion of Bond Counsel

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[LETTERHEAD OF BOND COUNSEL]

[Date of Closing]

**Re: WEST CHESTER AREA SCHOOL DISTRICT,
Chester and Delaware Counties, Pennsylvania
\$9,690,000 Aggregate Principal Amount of
General Obligation Bonds, Series A of 2015**

OPINION

We have acted as Bond Counsel, in connection with the issuance of the General Obligation Bonds, Series A of 2015, in the aggregate principal amount of Nine Million Six Hundred Ninety Thousand Dollars (\$9,690,000) (the “Bonds”), by West Chester Area School District, in Chester and Delaware Counties, Pennsylvania (the “School District”), a public school district of the Commonwealth of Pennsylvania (the “Commonwealth”).

The Board of School Directors of the School District, by a resolution (the “Resolution”), has authorized and secured the issuance of the Bonds. The Resolution provides that the proceeds of the Bonds may be used to pay the costs of planning, designing, acquiring, constructing, furnishing and equipping additions and improvements to the School District’s existing elementary schools and, to the extent of remaining funds, other buildings and facilities of the School District, and to pay the allocated costs and expenses of issuing the Bonds, all in accordance with the Local Government Unit Debt Act, 53 Pa.C.S. Chs. 80-82 (the “Act”), of the Commonwealth.

The Resolution contains covenants of the School District to comply with the Internal Revenue Code of 1986, as amended (the “Code”), and applicable regulations promulgated thereunder, to preserve the Federal income tax exemption of the interest on the Bonds. The School District has taken appropriate action to qualify the Bonds as “qualified tax-exempt obligations,” as defined in Section 265(b)(3)(B) of the Code.

As Bond Counsel, we have examined, among other things: the proceedings related to the issuance and delivery of the Bonds, as filed with the Department of Community and Economic Development; an executed counterpart of the Resolution; a certificate of no litigation; a non-arbitrage and rebate compliance certificate of the School District; and usual closing certificates and documents. We have also examined the executed Bonds, and assume that the Bonds, and any

separate Bonds that may, from time to time, be issued in exchange therefor, will at all times be issued in registered form as required by the Resolution.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify such facts by independent investigation.

Based on the foregoing, we are of the opinion that:

1. The Bonds are valid and binding general obligations of the School District enforceable in accordance with its terms.

2. The School District has covenanted, in the Resolution, to and with registered owners, from time to time, of the Bonds that shall be outstanding, from time to time, pursuant to the Resolution, that the School District: (i) shall include the amount of the debt service for the Bonds, for each fiscal year of the School District in which such sum is payable, in its budget for that year, (ii) shall appropriate such amounts from its general revenues for the payment of such debt service, and (iii) shall duly and punctually pay or cause to be paid from the sinking fund established under the Resolution or any other of its revenues or funds the principal of and interest on the Bonds at the dates and place and in the manner stated in the Bonds, according to the true intent and meaning thereof; and, for such budgeting, appropriation and payment, the School District has pledged, irrevocably, its full faith, credit, and taxing power.

3. Under the laws of the Commonwealth as presently enacted and construed, the Bonds are exempt from personal property taxes in the Commonwealth and the interest on the Bonds is exempt from the Commonwealth's Personal Income Tax and the Commonwealth's Corporate Net Income Tax.

4. Assuming investment and application of the proceeds of the Bonds as set forth in the Resolution and the aforementioned non-arbitrage and rebate compliance certificate, the Bonds are not presently an "arbitrage bonds" as described in Section 103(b)(2) and Section 148 of the Code and applicable regulations promulgated thereunder.

5. Under present statutes, regulations and judicial decisions, interest on the Bonds is excluded from gross income for purposes of federal income taxation and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although it should be noted that in the case of corporations (as defined for federal income tax purposes) such interest is taken into account in determining adjusted current earnings for purposes of such alternative minimum tax. The opinions expressed in this paragraph are subject to the condition that the School District comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, or continue to be, excluded from gross income for federal income tax purposes, as the School District has covenanted to do in the Resolution and other aforementioned documents. Failure to comply with

certain of such requirements may cause the inclusion of interest on the Bonds in gross income retroactive to the date of issuance of the Bonds.

6. Each of the Bonds is a “qualified tax-exempt obligation” for purposes and effect contemplated by Section 265 of the Code (relating to expenses and interest relating to tax-exempt income of certain financial institutions). The opinion expressed in the preceding sentence is subject to the condition that interest on the Bonds is, and continues to be, excluded from gross income for federal income tax purposes under the Code.

We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

It is to be understood that rights of holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors’ rights heretofore or hereafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

Very truly yours,

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APPENDIX C
Form of Continuing Disclosure Certificate

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CONTINUING DISCLOSURE CERTIFICATE

Re: WEST CHESTER AREA SCHOOL DISTRICT,
Chester and Delaware Counties, Pennsylvania
\$9,690,000 Aggregate Principal Amount
General Obligation Bonds, Series A of 2015
Dated the Date of Delivery

[Date of Closing]

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by West Chester Area School District, in Chester and Delaware Counties, Pennsylvania (the “School District”), in connection with the issuance of its General Obligation Bonds, Series A of 2015 (the “Bonds”), dated the date of delivery of the Bonds. The Bonds are being issued pursuant to a resolution adopted by the Board of School Directors of the School District on March 23, 2015 (the “Resolution”). The School District makes the following certifications and representations as an inducement to the Participating Underwriter and others to purchase the Bonds:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the School District for the benefit of the holders of the Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report filed by the School District pursuant to, and as described in, Section 3 of this Disclosure Certificate.

“Bondholder” shall mean any registered owner of the Bonds or any person who (i) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any of the Bonds (including persons holding through any nominee, securities depository or other intermediary) or (ii) is treated as the holder of any Bonds for federal income tax purposes.

“Business Day” shall mean a day other than a Saturday, a Sunday, or a day on which the New York Stock Exchange is closed or a day on which banks located in the Commonwealth are authorized or required by law or executive order to close.

“Commonwealth” shall mean the Commonwealth of Pennsylvania.

“Listed Events” shall mean any of the events listed in Section 5 of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“Official Statement” shall mean the final official statement relating to the Bonds prepared by or on behalf of the School District and distributed in connection with the offering and sale of the Bonds by the Participating Underwriter.

“Participating Underwriter” shall mean any of the original underwriter of the Bonds required to comply with the Rule in connection with the primary offering of the Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” shall mean the United States Securities and Exchange Commission.

SECTION 3. Filing of Annual Reports. The School District agrees to file with the MSRB:

(a) *Financial Information.* Annually, beginning on April 1, 2016, and on each April 1 thereafter, the following financial information and operating information pertaining to the School District:

(1) financial statements for the most recent fiscal year, prepared in accordance with generally accepted accounting principles for local government units;

(2) a summary of the budget for the then current fiscal year;

(3) the total assessed value and aggregate market value of all taxable real estate for the then current fiscal year;

(4) the taxes and millage rates imposed for the then current fiscal year;

(5) the real property tax collection results for the most recent fiscal year, including (a) the real estate levy imposed (expressed both as a millage rate and an aggregate dollar amount), (b) the dollar amount of real estate taxes collected that represented current collections (expressed as an aggregate dollar amount), (c) the amount of real estate taxes collected that represented taxes levied in prior years (expressed as an aggregate dollar amount), and (d) the total amount of real estate taxes collected (expressed as an aggregate dollar amount);

(b) *Audited Financial Statements.* If not submitted as part of the annual financial information of the School District in accordance with subparagraph (a) above, then when and if available, audited financial statements of the School District for the most recent fiscal year.

Each Annual Report may be submitted as a single document or as separate documents comprising a package. Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities which have been filed with MSRB or with the SEC. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each other document so incorporated by reference.

SECTION 4. Notices of Late Filing of Annual Information. If the School District has failed to file, or is unable to file, an Annual Report with the MSRB within the time set forth in Section 3 above, the School District will file, in a timely manner, a notice with the MSRB stating such fact and, if appropriate, the date by which the School District expects to file the Annual Report.

SECTION 5. Reporting of Listed Events. In a timely manner not in excess of ten (10) Business Days after the occurrence of the event, the School District will file with the MSRB notice of the occurrence of any of the following events with respect to the Bonds:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults, if material;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material events affecting the tax-exempt status of the Bonds;
- (g) modifications to rights of holders of the Bonds, if material;
- (h) bond calls, if material, and tender offers;
- (i) defeasances;
- (j) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (k) rating changes;
- (l) bankruptcy, insolvency, receivership or similar event of the School District;
- (m) the consummation of a merger, consolidation, or acquisition involving the School District or the sale of all or substantially all of the assets of the School District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (n) appointment of a successor or additional trustee, or the change of name of a trustee, if material.

The School District may from time to time choose to provide notice of the occurrence of certain other events affecting the Bonds or the School District, in addition to those listed above, if, in the judgment of the School District, such other event is material with respect to the Bonds, but the School District does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above.

SECTION 6. Manner of Filing. All filings to be made with the MSRB in accordance with this Disclosure Certificate are to be filed in such electronic format as is prescribed by the MSRB and accompanied by such identifying information as is prescribed by the MSRB.

As of the date of this Disclosure Certificate, the rules of the MSRB require all such filings to be made using the MSRB's Electronic Municipal Market Access System ("EMMA") at <http://emma.msrb.org>.

SECTION 7. Dissemination Agent. The School District may, at any time and from time to time, appoint or engage another person (the "Dissemination Agent") to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge such Dissemination Agent, with or without appointing a successor and without notice to Bondholders.

SECTION 8. Termination of Disclosure Obligation. The School District's obligations under this Disclosure Certificate shall terminate upon the prior redemption or payment in full of all of the Bonds or if and when the School District no longer remains an "obligated person" with respect to the Bonds, within the meaning of the Rule.

SECTION 9. Default. In the event of a failure of the School District to comply with any provision of this Disclosure Certificate, any Bondholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the School District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default with respect to the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the School District to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the School District, the Participating Underwriters and Bondholders, and shall create no rights in any other person or entity.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, The School District causes this Continuing Disclosure Certificate to be executed on its behalf by the President of the Board of School Directors all as of the date set forth above.

WEST CHESTER AREA SCHOOL DISTRICT,
Chester and Delaware Counties, Pennsylvania

By: _____
President of the Board of
School Directors

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APPENDIX D
Financial Statements
West Chester Area School District
West Chester, Pennsylvania
June 30, 2014

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**WEST CHESTER AREA SCHOOL DISTRICT
WEST CHESTER, PENNSYLVANIA**

AUDIT REPORT

JUNE 30, 2014

WEST CHESTER AREA SCHOOL DISTRICT

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WEST CHESTER AREA SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

November 14, 2014

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of West Chester Area School District (the "District"), West Chester, Pennsylvania, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of West Chester Area School District, West Chester, Pennsylvania, as of June 30, 2014 and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the general fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2014, 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, and grant

Board of School Directors
West Chester Area School District

agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

WEST CHESTER AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
JUNE 30, 2014

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, 2014. 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 No. 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

- In 2013-2014, while the economy had started to recover, the nationwide recovery was slow. The District's revenues reflected this slow recovery. District revenues that were economically driven experienced a slight growth in 2013-2014.
- The largest District revenue stream is local property tax. In 2013-2014, the School Board did not raise property taxes to balance the budget. The taxpayers in Chester County continued to be assessed for property taxes at 18.67 mills. (Please note that one mill is equal to one-tenth of a cent or \$0.001 of assessed value.) The Delaware County tax rate was assessed based upon the equalized millage calculation, which resulted in a reduction in tax rate from 13.78 mills in 2012-2013 to 13.62 mills in 2013-2014.
- On an entity-wide basis, the District's total net position was \$60,797,145 at June 30, 2014. This represented an increase of \$7,057,211 from the prior year.
- On a fund level reporting basis, compared to the prior year, the District's General Fund total revenues, excluding other financing sources, was relatively flat, with an increase of 0.65 percent or \$1,334,053. This increase was driven by State subsidy increases related to Pennsylvania School Employee Retirement System ("PSERS").
- On a fund level reporting basis, compared to the prior year, the District's General Fund expenditures increased \$5,968,652 or 3.1 percent. The driving factor in this increase was the rising cost of employee benefits. Employer pension rates for all Pennsylvania school districts rose from 12.36 percent in 2012-2013 to 16.93 percent in 2013-2014, driving benefit costs upward.

OVERVIEW OF FINANCIAL STATEMENTS

The accompanying financial statements have been prepared in accordance with GASB Statement No. 34 and present both entity-wide and fund level financial statements using both the accrual basis and modified accrual basis of accounting, respectively.

WEST CHESTER AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
JUNE 30, 2014

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, deferred outflows of resources, 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 they have changed. Net position, the difference between the District's assets, deferred outflows of resources, 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.

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 the District, this is our Food Service Fund. Fiduciary fund statements provide information about financial relationships for which the District acts solely as a trustee or agent for the benefit of others.

- **Governmental Funds** - Most of the District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. The District's major governmental funds are the General Fund, the Capital Projects Fund, and the Capital Reserve Fund. Governmental funds are reported using the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that

WEST CHESTER AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
JUNE 30, 2014

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 student activity and 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 \$60,797,145 at June 30, 2014. This represents an increase of \$7,057,211 over the prior year. The table below presents condensed financial information for the net position of the District as of June 30, 2014 and 2013.

Statement of Net Position
June 30, 2014 and 2013

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 86,506,066	\$ 81,483,225	\$ 1,602,246	\$ 1,578,510	\$ 88,108,312	\$ 83,061,735
Capital assets	298,973,179	298,940,644	224,324	169,778	299,197,503	299,110,422
TOTAL ASSETS	385,479,245	380,423,869	1,826,570	1,748,288	387,305,815	382,172,157
Deferred outflows of Resources	5,544,256	4,391,514	-	-	5,544,256	4,391,514
Current liabilities	42,357,535	39,141,565	513,979	398,570	42,871,514	39,540,135
Noncurrent liabilities	289,181,412	293,283,602	-	-	289,181,412	293,283,602
TOTAL LIABILITIES	331,538,947	332,425,167	513,979	398,570	332,052,926	332,823,737
Net Position:						
Net investment in capital assets	7,710,407	5,876,233	224,324	169,778	7,934,731	6,046,011
Restricted for capital projects	17,672,551	15,646,701	-	-	17,672,551	15,646,701
Unrestricted	34,101,596	30,867,282	1,088,267	1,179,940	35,189,863	32,047,222
TOTAL NET POSITION	\$ 59,484,554	\$ 52,390,216	\$ 1,312,591	\$ 1,349,718	\$ 60,797,145	\$ 53,739,934

WEST CHESTER AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
JUNE 30, 2014

The governmental activities restricted net position in the amount of \$17,672,551 is set aside to fund capital improvements, the replacement of and additions to public works, and deferred maintenance. These funds are legally restricted once put into the Capital Reserve Fund by the District. The total unrestricted net position in the amount of \$35,189,863 included \$1,088,267 which could be used for capital and other expenses 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 below 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 increased by \$1,080,440, or 0.5 percent. The largest change in revenue occurred in other taxes. Other taxes increased \$765,785 or 3.4 percent. The balance of the revenue growth came from increases in other local taxes and operating grants and contributions.

Expenses increased by \$4,367,998 or 2.2 percent. The largest drivers of this increase were operation and maintenance of plant services and administrative/financial support spending. This was the result of an increase in the employer retirement rate increasing from 12.36 percent in 2013 to 16.93 percent in 2014.

Statement of Activities
for the Years Ended June 30, 2014 and 2013

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
REVENUES						
Program services:						
Charges for services	\$ 1,189,792	\$ 1,438,693	\$ 2,549,726	\$ 2,549,584	\$ 3,739,518	\$ 3,988,277
Operating grants and contributions	23,727,227	23,107,309	904,898	861,272	24,632,125	23,968,581
General revenues:						
Property taxes	147,270,504	147,198,156	-	-	147,270,504	147,198,156
Other taxes	23,154,723	22,388,938	-	-	23,154,723	22,388,938
Grants, subsidies, and contributions not restricted	10,652,411	10,472,277	-	-	10,652,411	10,472,277
Other revenue	302,822	654,990	1,327	1,771	304,149	656,761
TOTAL REVENUES	206,297,479	205,260,363	3,455,951	3,412,627	209,753,430	208,672,990
EXPENSES						
Instruction	121,627,033	121,882,871	-	-	121,627,033	121,882,871
Instructional student support	15,311,671	14,429,547	-	-	15,311,671	14,429,547
Administrative/financial support	15,643,360	14,417,208	-	-	15,643,360	14,417,208
Operation and maintenance of plant services	18,309,057	16,984,316	-	-	18,309,057	16,984,316
Pupil transportation	13,420,543	13,208,001	-	-	13,420,543	13,208,001
Student activities	4,377,690	4,147,431	-	-	4,377,690	4,147,431
Community services	116,354	145,929	-	-	116,354	145,929
Interest on long-term debt	10,397,433	9,722,107	-	-	10,397,433	9,722,107
Food service	-	-	3,493,078	3,390,811	3,493,078	3,390,811
TOTAL EXPENSES	199,203,141	194,937,410	3,493,078	3,390,811	202,696,219	198,328,221
CHANGE IN NET POSITION	7,094,338	10,322,953	(37,127)	21,816	7,057,211	10,344,769
BEGINNING NET POSITION	52,390,216	42,067,263	1,349,718	1,327,902	53,739,934	43,395,165
ENDING NET POSITION	\$ 59,484,554	\$ 52,390,216	\$ 1,312,591	\$ 1,349,718	\$ 60,797,145	\$ 53,739,934

WEST CHESTER AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
JUNE 30, 2014

EXPENSES

The table below presents condensed financial information on the expenses of the District by function. The table illustrates both the gross and net costs of services. Unrestricted grants, subsidies, and contributions are deducted to reflect the amount needed to be funded by other revenue sources. The amount needed to be funded by other revenue sources increased by \$3,714,580 or 2.3 percent more than the prior year. The table for business-type activities reflects condensed financial activities of the food service program, the only business-type activity of the District.

	Total Cost of Services		Net Cost of Services	
	2014	2013	2014	2013
<u>Governmental Activities</u>				
Expenses - Governmental Activities:				
Instruction	\$ 121,627,033	\$ 121,882,871	\$ 106,548,408	\$ 103,830,667
Instructional student support	15,311,671	14,429,547	13,273,111	13,508,678
Administrative and financial support	15,643,360	14,417,208	14,645,258	14,417,208
Operation and maintenance of plant services	18,309,057	16,984,316	16,015,098	15,535,119
Pupil transportation	13,420,543	13,208,001	9,644,603	9,498,006
Student activities	4,377,690	4,147,431	3,647,874	3,733,694
Community services	116,354	145,929	114,337	145,929
Interest on long-term debt	10,397,433	9,722,107	10,397,433	9,722,107
TOTAL EXPENSES	<u>\$ 199,203,141</u>	<u>\$ 194,937,410</u>	174,286,122	170,391,408
Less: Grants, subsidies, and contributions not restricted			<u>(10,652,411)</u>	<u>(10,472,277)</u>
Total needed from local taxes and other revenues			<u>\$ 163,633,711</u>	<u>\$ 159,919,131</u>
<u>Business-type Activities</u>				
Expenses - Business-type Activities:				
Food services	<u>\$ 3,493,078</u>	<u>\$ 3,390,811</u>	<u>\$ 38,454</u>	<u>\$ (20,045)</u>

THE DISTRICT FUNDS

General Fund

At June 30, 2014, the District reported a General Fund fund balance of \$33,351,072, which represents 16.6 percent of total expenditures and was an increase of \$979,183 over the prior year. Of this amount, the District committed \$4,856,190 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 in 2011 and increased this commitment in 2014 by \$685,090 to bring the balance of the commitment to \$4,856,190. The District also utilized \$500,000 of the previous commitment of \$5,000,000 for PSERS costs bringing the total commitment balance to \$4,500,000. Lastly, the District

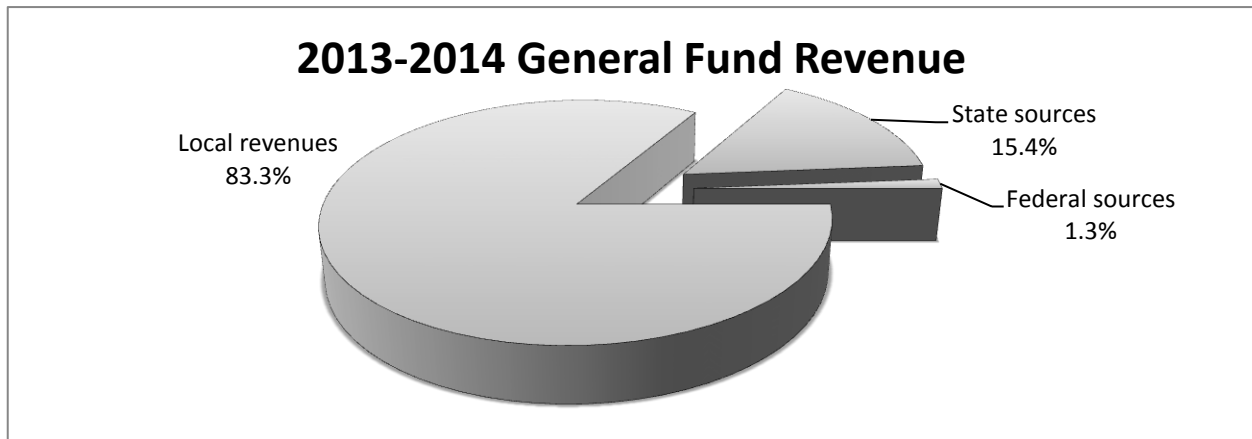
WEST CHESTER AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
JUNE 30, 2014

assigned \$5,951,300 of the fund balance towards Tax Rate Stabilization. These funds will be used to offset the 2015-2016 budget gap and reduce the need for future tax increases. The School Board of West Chester Area School District manages the fund balance to respond to unforeseen contingencies and economic conditions. This philosophy was established during a healthy and growing economy within the District and accurate and timely forecasting which allows the District to constantly monitor economic trends within our community. This philosophy conforms to the Board's belief that the tax burden should be aligned with the current funding needs of the District. The remaining assigned fund balance of \$119,782 is assigned for athletic activities.

REVENUE

General Fund Revenues, excluding other financing sources, total \$206,438,448, which is an increase from the collections in the prior year. The table below reflects a comparison of current year revenues to prior year revenues:

	General Fund Revenue 2014	Percentage of Total	Increase/ (Decrease) from 2013	Variance Over/(Under) Final Budget
Local revenues	\$ 172,058,808	83.3%	\$ 532,710	\$ 2,676,777
State sources	31,717,857	15.4%	2,187,835	110,384
Federal sources	2,661,783	1.3%	(1,386,492)	(177,117)
	<u>\$ 206,438,448</u>	<u>100.0%</u>	<u>\$ 1,334,053</u>	<u>\$ 2,610,044</u>



Local revenues increased slightly by \$532,710. The District's earned income taxes grew \$768,921, transfer taxes increased \$251,132 and were offset by a decrease in delinquent real estate tax collection by \$703,972.

The largest change in annual revenue collections occurred in state-sourced revenues. The increase in state revenues is due to an increase in the District's retirement subsidy. The state reimburses the District for 50 percent of the District's pension cost. The dramatic increase in the state pension rates caused both an increase in the annual pension costs as well as an increase of \$1,996,017 in the related retirement subsidy reimbursement.

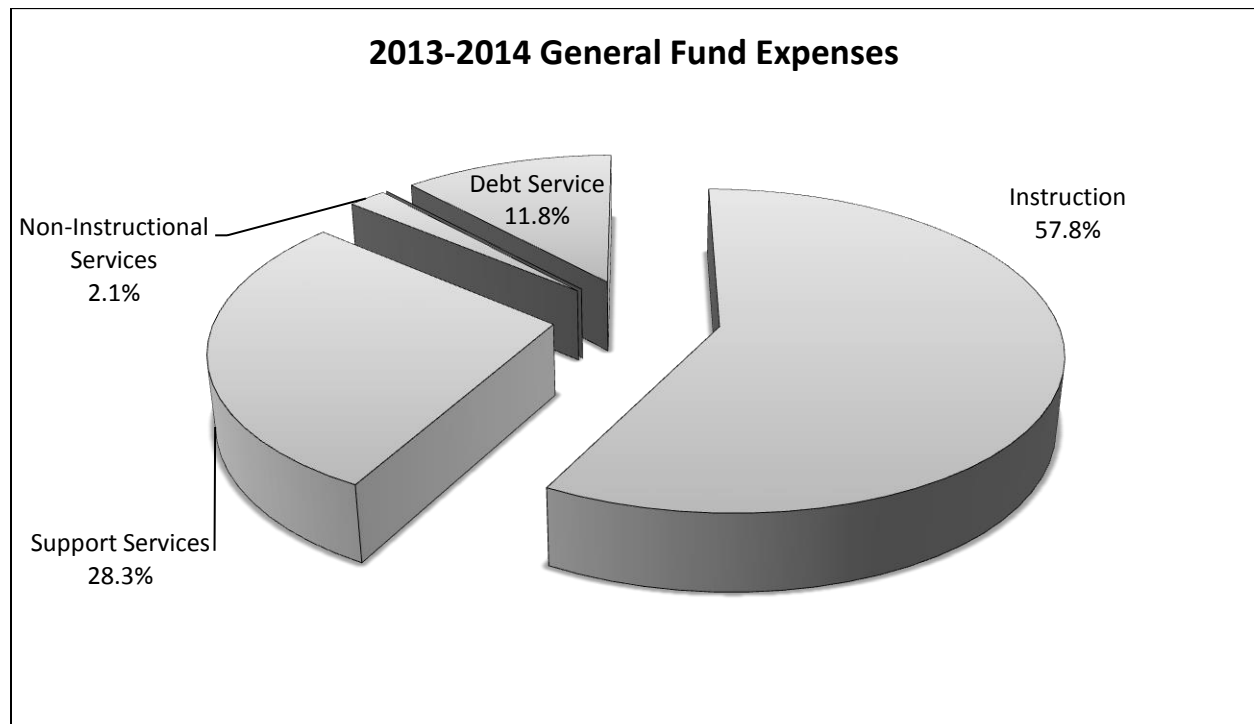
WEST CHESTER AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
JUNE 30, 2014

Federal revenues decreased by 34.25 percent as a result of the District transitioning control of Title I Delinquent federal funds, in the amount of \$1,227,756 in 2012-2013, to the Chester County Intermediate Unit. The additional decrease is related to changes in spending patterns.

EXPENDITURES

General Fund expenditures, excluding transfers to other governmental funds, totaled \$200,795,154. This was an increase of \$5,968,652 or 3.1 percent over the prior year, and it was \$2,934,513 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 2013-2014 budget, are as follows:

	General Fund Expenditures 2014	Percentage of Total	Increase/ (Decrease) from 2013	Variance Over/(Under) Final Budget
Instruction	\$ 116,101,438	57.8%	\$ 3,065,582	\$ (1,650,296)
Support services	56,801,957	28.3%	1,717,294	(1,011,237)
Non-instructional services	4,237,967	2.1%	78,301	(175,236)
Facilities acquisition and construction	-	0.0%	(650,293)	-
Debt service	23,653,792	11.8%	1,757,768	(97,744)
TOTAL EXPENDITURES BY FUNCTION	\$ 200,795,154	100.0%	\$ 5,968,652	\$ (2,934,513)



WEST CHESTER AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
JUNE 30, 2014

The driving factor for the 2013-2014 increases in expenses was benefit cost. Employer pension rates for all school districts in Pennsylvania rose from 12.36 percent in 2012-2013 to 16.93 percent in 2013-2014. Rising healthcare costs added to benefit cost. The increase in instructional expenses for 2013-2014 was due primarily to benefits cost increases and the settlement of the teacher contract which included mid-year salary increases. Benefit costs drove the increase in support services and non-instructional support services expenses. The District's debt service expense increased due to planned principal and interest repayments.

Capital Projects Fund

The 2013-2014 year represented the third year of a 14-year District elementary school master plan renovation. By the completion of this plan, all ten elementary schools will have been renovated. As of June 30, 2014, the District had a capital projects fund balance of \$8,376,597. This was an increase of \$1,256,698 from the prior year. The District reported net cash inflows of \$11,874,928 which represented the new bond funds secured to fund the latest elementary school renovations. The District also reported expenditures of \$10,618,230 in 2013-2014. These expenditures were primarily related to the design and renovation of the elementary schools related to the master plan.

Capital Reserve Fund

The Capital Reserve Fund had a fund balance of \$17,672,551 at June 30, 2014. This was a \$2,025,850 increase from the prior year. The Capital Reserve Fund is funded by transfers from the General Fund. In 2013-2014, the capital outflows from the Capital Reserve Fund were spent on technology replacements as well as repairs and maintenance projects. The Capital Reserve Fund received a transfer in of \$4,581,247 from the General Fund. This transfer represented dedicated millage, savings in variable rate debt, and debt service savings achieved through 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 has been conservative with spending. This is evident when reviewing the District's actual expenditures versus the approved budget. Total revenues were collected near budgeted amounts at \$2,610,044 over budget or 1.3 percent. Total expenditures were under the amended budget by \$2,934,513 or 1.4 percent.

WEST CHESTER AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
JUNE 30, 2014

CAPITAL ASSETS

At June 30, 2014, the District had \$299,197,503 invested in a broad range of governmental capital assets, including land, buildings, and furniture and equipment. This amount represents a net increase (including additions, deletions, and depreciation) of \$87,081, or 0.03 percent, from the prior year. Additionally, the District's construction-in-progress balance increased by \$8,355,486 from the prior year. Since the elementary school renovation projects were incomplete as of June 30, 2014, they are included in the construction-in-progress balance.

The following schedule depicts the capital assets as of June 30, 2014. More detailed information about capital assets is included in the notes to the financial statements.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Assets</u>
Capital assets:			
Land	\$ 33,159,800	\$ -	\$ 33,159,800
Land improvements	14,737,125	-	14,737,125
Buildings	364,460,917	-	364,460,917
Construction-in-progress	27,269,498	-	27,269,498
Furniture and equipment	<u>33,064,984</u>	<u>692,440</u>	<u>33,757,424</u>
TOTAL CAPITAL ASSETS	472,692,324	692,440	473,384,764
TOTAL ACCUMULATED DEPRECIATION	<u>173,719,145</u>	<u>468,116</u>	<u>174,187,261</u>
CAPITAL ASSETS, NET	<u>\$ 298,973,179</u>	<u>\$ 224,324</u>	<u>\$ 299,197,503</u>

DEBT ADMINISTRATION

As of June 30, 2014, the District had total outstanding bonds and related charges of \$299,639,369, a decrease of \$544,941 from the prior year. During 2013-14, the District refinanced \$32,715,000 in outstanding debt to take advantage of the favorable financing market conditions. The District incurred \$12,000,000 in new debt during 2013-14. 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, 2014

	<u>Principal Outstanding June 30, 2013</u>	<u>Maturities/ Refinancing</u>	<u>Additions</u>	<u>Principal Outstanding June 30, 2014</u>
GENERAL OBLIGATION BONDS AND NOTES	\$ 287,443,000	\$ 45,317,000	\$ 42,890,000	\$ 285,016,000
<i>Deferred amounts:</i>				
Net issuance premium	<u>12,741,310</u>	<u>2,637,497</u>	<u>4,519,556</u>	<u>14,623,369</u>
LONG-TERM DEBT	<u>\$ 300,184,310</u>	<u>\$ 47,954,497</u>	<u>\$ 47,409,556</u>	<u>\$ 299,639,369</u>

WEST CHESTER AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
JUNE 30, 2014

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

West Chester Area School District forecasts budgetary impacts five years forward. Looking forward, the District is currently forecasting expenses to outpace revenues, creating a budgetary gap. The District's local real estate tax base, impacting the District's largest revenue stream, has been slow to recover after the national economic downturn. The District is experiencing healthy growth in earned income tax and transfer tax collections which follow local economic trends. While state and federal funding has increased recently, increases were driven by pension and social security subsidy increases that are mirrored by the cost and do not assist in addressing budgetary gaps. Expense growth in the future will continue to be driven by pension and healthcare costs. Pension rates rose to 21.40 percent in 2014-2015 and will continue to increase going forward. The District also projects an annual increase of 7.5 percent per year in health benefits.

In response, the District continues to budget conservatively. The District uses fund balance management techniques to reserve funds for future pension needs, potential healthcare costs, and reduced millage impact. The District has changed healthcare plans to lower cost for all its labor groups in an attempt to limit healthcare expenses and is using the Act I Index for the basis for contract salary increases. While currently the District is showing a deficit, the District School Board and staff are working hard to develop methods to address the District's long-term financial needs.

Within the District's capital funds, 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 is completing its third building renovation and is in progress with the fourth renovation. As for the balance of the plan, the District is cautious due to the current financial environment. The District has always exercised caution in a conservative approach to borrowing, including waiting until long-term bonds (20-year notes) were capable of being sold at advantageous, fixed rates of interest.

FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors, and creditors with a general overview of the District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact 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, 2014**

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 17,622,072	\$ 143,531	\$ 17,765,603
Investments	57,583,651	1,407,854	58,991,505
Internal balances	12,270	(12,270)	-
Due from other governments	2,683,899	41,888	2,725,787
Other receivables	868,411	4,043	872,454
Taxes receivable	4,253,307	-	4,253,307
Prepaid expenses	3,482,456	-	3,482,456
Inventories	-	17,200	17,200
Total Current Assets	<u>86,506,066</u>	<u>1,602,246</u>	<u>88,108,312</u>
Noncurrent Assets:			
Capital assets			
Land	33,159,800	-	33,159,800
Construction-in-progress	27,269,498	-	27,269,498
Land improvements	14,737,125	-	14,737,125
Buildings	364,460,917	-	364,460,917
Furniture and equipment	33,064,984	692,440	33,757,424
Less: Accumulated depreciation	(173,719,145)	(468,116)	(174,187,261)
Total Noncurrent Assets	<u>298,973,179</u>	<u>224,324</u>	<u>299,197,503</u>
TOTAL ASSETS	<u>385,479,245</u>	<u>1,826,570</u>	<u>387,305,815</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	5,544,256	-	5,544,256
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 391,023,501</u>	<u>\$ 1,826,570</u>	<u>\$ 392,850,071</u>
LIABILITIES AND NET POSITION			
LIABILITIES			
Current Liabilities:			
Accounts payable and other current liabilities	\$ 24,631,472	\$ 410,969	\$ 25,042,441
Accrued interest	2,062,171	-	2,062,171
Unearned revenues	92,149	103,010	195,159
Bonds and notes payable, net	15,571,743	-	15,571,743
Total Current Liabilities	<u>42,357,535</u>	<u>513,979</u>	<u>42,871,514</u>
Noncurrent Liabilities:			
Bonds and notes payable, net	284,067,626	-	284,067,626
Accrued severance and compensated absences	4,877,394	-	4,877,394
Other post-employment benefits	236,392	-	236,392
Total Noncurrent Liabilities	<u>289,181,412</u>	<u>-</u>	<u>289,181,412</u>
TOTAL LIABILITIES	<u>331,538,947</u>	<u>513,979</u>	<u>332,052,926</u>
NET POSITION			
Net investment in capital assets	7,710,407	224,324	7,934,731
Restricted	17,672,551	-	17,672,551
Unrestricted	34,101,596	1,088,267	35,189,863
TOTAL NET POSITION	<u>59,484,554</u>	<u>1,312,591</u>	<u>60,797,145</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 391,023,501</u>	<u>\$ 1,826,570</u>	<u>\$ 392,850,071</u>

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, 2014**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES:						
Instruction	\$ 121,627,033	\$ 437,675	\$ 14,640,950	\$ -	\$ (106,548,408)	\$ (106,548,408)
Instructional student support	15,311,671	-	2,038,560	-	(13,273,111)	(13,273,111)
Administrative and financial support services	15,643,360	-	998,102	-	(14,645,258)	(14,645,258)
Operation and maintenance of plant services	18,309,057	332,728	1,961,231	-	(16,015,098)	(16,015,098)
Pupil transportation	13,420,543	-	3,775,940	-	(9,644,603)	(9,644,603)
Student activities	4,377,690	419,389	310,427	-	(3,647,874)	(3,647,874)
Community services	116,354	-	2,017	-	(114,337)	(114,337)
Interest on long-term debt	10,397,433	-	-	-	(10,397,433)	(10,397,433)
TOTAL GOVERNMENTAL ACTIVITIES	199,203,141	1,189,792	23,727,227	-	(174,286,122)	(174,286,122)
BUSINESS-TYPE ACTIVITIES:						
Food service	3,493,078	2,549,726	904,898	-	(38,454)	(38,454)
TOTAL PRIMARY GOVERNMENT	\$ 202,696,219	\$ 3,739,518	\$ 24,632,125	\$ -	(38,454)	(174,324,576)
GENERAL REVENUES						
Property taxes, levied for general purposes				147,270,504	-	147,270,504
Taxes levied for specific purposes				23,154,723	-	23,154,723
Grants, entitlements, and contributions not restricted to specific programs				10,652,411	-	10,652,411
Investment earnings				135,847	1,327	137,174
Gain on sale of asset				20,608	-	20,608
Other				146,367	-	146,367
TOTAL GENERAL REVENUES				181,380,460	1,327	181,381,787
CHANGE IN NET POSITION				7,094,338	(37,127)	7,057,211
NET POSITION, BEGINNING OF YEAR				52,390,216	1,349,718	53,739,934
NET POSITION, END OF YEAR				\$ 59,484,554	\$ 1,312,591	\$ 60,797,145

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

**WEST CHESTER AREA SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Capital Reserve Fund</u>	<u>Other Governmental Fund</u>	<u>Totals</u>
ASSETS					
Cash and cash equivalents	\$ 12,074,848	\$ 1,289,075	\$ 4,258,149	-	\$ 17,622,072
Investments	38,266,714	9,489,493	9,827,444	-	57,583,651
Taxes receivable	4,253,307	-	-	-	4,253,307
Due from other funds	26,553	-	3,628,147	-	3,654,700
Due from other governments	2,683,899	-	-	-	2,683,899
Other receivables	868,411	-	-	-	868,411
Prepaid expenditures	3,482,456	-	-	-	3,482,456
TOTAL ASSETS	<u>\$ 61,656,188</u>	<u>\$ 10,778,568</u>	<u>\$ 17,713,740</u>	<u>\$ -</u>	<u>\$ 90,148,496</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES:					
Accounts payable and accrued liabilities	\$ 6,038,230	\$ 2,387,688	\$ 41,189	-	\$ 8,467,107
Unearned revenue	92,149	-	-	-	92,149
Due to other funds	3,628,147	14,283	-	-	3,642,430
Payroll accruals and withholdings	16,164,365	-	-	-	16,164,365
TOTAL LIABILITIES	<u>25,922,891</u>	<u>2,401,971</u>	<u>41,189</u>	<u>-</u>	<u>28,366,051</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	2,382,225	-	-	-	2,382,225
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,382,225</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,382,225</u>
FUND BALANCES:					
Nonspendable	3,482,456	-	-	-	3,482,456
Restricted	-	8,376,597	17,672,551	-	26,049,148
Committed	9,356,190	-	-	-	9,356,190
Assigned	6,071,082	-	-	-	6,071,082
Unassigned	14,441,344	-	-	-	14,441,344
TOTAL FUND BALANCES	<u>33,351,072</u>	<u>8,376,597</u>	<u>17,672,551</u>	<u>-</u>	<u>59,400,220</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 61,656,188</u>	<u>\$ 10,778,568</u>	<u>\$ 17,713,740</u>	<u>\$ -</u>	<u>\$ 90,148,496</u>

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, 2014**

TOTAL FUND BALANCES FOR GOVERNMENTAL FUNDS \$ 59,400,220

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The cost of assets was \$472,692,324 accumulated depreciation was \$173,719,145. 298,973,179

Some of the District's revenues will be collected after year end but are not available soon enough to pay the current year's expenditures and, therefore, are reported as unavailable revenue - property taxes in the governmental funds. 2,382,225

Governmental funds report deferred amounts on bond refundings as other financing sources. However, these amounts are reported on the statement of net position as deferred outflows of resources and amortized over the life life of the refunding debt. 5,544,256

Other post-employment benefits (OPEB) are not financial resources and, therefore, are not reported in the governmental funds. (236,392)

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

Accrued interest	\$ (2,062,171)	
Bonds and notes payable in future years, net	(299,639,369)	
Accumulated compensated absences	<u>(4,877,394)</u>	<u>(306,578,934)</u>

TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 59,484,554

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, 2014

	General Fund	Capital Projects Fund	Capital Reserve Fund	Other Governmental Fund	Totals
REVENUES					
Local sources	\$172,058,808	-	\$ 64,877	-	\$172,123,685
State sources	31,717,857	-	-	-	31,717,857
Federal sources	2,661,783	-	-	-	2,661,783
TOTAL REVENUES	<u>206,438,448</u>	<u>-</u>	<u>64,877</u>	<u>-</u>	<u>206,503,325</u>
EXPENDITURES					
Current:					
Instruction	116,101,438	-	1,241,180	-	117,342,618
Support services	56,801,957	26,891	661,121	91,207	57,581,176
Operation of noninstructional services	4,237,967	-	-	-	4,237,967
Debt service:					
Principal	12,602,000	-	-	-	12,602,000
Interest	11,051,792	-	-	-	11,051,792
Capital outlays	-	10,591,339	744,513	-	11,335,852
TOTAL EXPENDITURES	<u>200,795,154</u>	<u>10,618,230</u>	<u>2,646,814</u>	<u>91,207</u>	<u>214,151,405</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>5,643,294</u>	<u>(10,618,230)</u>	<u>(2,581,937)</u>	<u>(91,207)</u>	<u>(7,648,080)</u>
OTHER FINANCING SOURCES (USES)					
Refund of prior year expenditures	14,880	-	-	-	14,880
Refund of prior year revenue	(97,744)	-	-	-	(97,744)
Proceeds from long-term debt	-	12,000,000	-	30,890,000	42,890,000
Payment to refund bonds	-	-	-	(35,443,421)	(35,443,421)
Premium on bonds issued	-	-	-	4,662,649	4,662,649
Discount on bonds issued	-	(143,093)	-	-	(143,093)
Proceeds from sale of capital assets	-	-	26,540	-	26,540
Transfers in	-	18,021	4,581,247	-	4,599,268
Transfers out	(4,581,247)	-	-	(18,021)	(4,599,268)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(4,664,111)</u>	<u>11,874,928</u>	<u>4,607,787</u>	<u>91,207</u>	<u>11,909,811</u>
NET CHANGE IN FUND BALANCES	979,183	1,256,698	2,025,850	-	4,261,731
FUND BALANCES, BEGINNING OF YEAR	32,371,889	7,119,899	15,646,701	-	55,138,489
FUND BALANCES, END OF YEAR	<u>\$ 33,351,072</u>	<u>\$ 8,376,597</u>	<u>\$ 17,672,551</u>	<u>\$ -</u>	<u>\$ 59,400,220</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, 2014**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 4,261,731

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	\$ 11,752,323	
Depreciation expense	<u>(11,713,856)</u>	38,467

Loss on disposal of capital assets	(5,932)
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Because some amounts will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds.	(241,334)
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	544,941
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Governmental funds report deferred amounts on bond refundings as other financing sources. However, these amounts are reported on the statement of net position as deferred outflows of resources and amortized over the life of the refunding debt.	1,152,742
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In the statement of activities, certain operating expenses—compensated absences (vacations and sick leave) and special termination benefits (early retirement)—are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This is the amount by which current period amounts paid exceeded current period compensated absences earned.	1,950,394
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In the statement of activities, certain operating expenses—other post-employment benefits—are measured by the amounts earned during the year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts paid). This is the amount by which current period amounts paid exceeded current period amounts earned.	(199,212)
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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.	<u>(407,459)</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 7,094,338</u>
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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, 2014**

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 169,382,031	\$ 169,382,031	\$ 172,058,808	\$ 2,676,777
State sources	31,607,473	31,607,473	31,717,857	110,384
Federal sources	2,838,900	2,838,900	2,661,783	(177,117)
TOTAL REVENUES	<u>203,828,404</u>	<u>203,828,404</u>	<u>206,438,448</u>	<u>2,610,044</u>
EXPENDITURES				
Current:				
Instruction				
Regular programs, elementary/secondary	82,028,953	82,476,052	81,156,213	1,319,839
Special programs, elementary/secondary	28,397,374	29,973,963	29,689,925	284,038
Vocational education programs	4,761,477	4,695,962	4,692,319	3,643
Other instructional programs	854,298	594,001	551,225	42,776
Nonpublic school programs	16,712	11,756	11,756	-
Adult education programs	34,908	-	-	-
Total Instruction	<u>116,093,722</u>	<u>117,751,734</u>	<u>116,101,438</u>	<u>1,650,296</u>
Support services				
Pupil personnel	7,784,036	7,720,816	7,675,484	45,332
Instructional staff	5,538,249	5,300,491	4,881,281	419,210
Administration	10,549,885	10,665,523	10,502,799	162,724
Pupil health	1,936,984	2,030,735	2,002,751	27,984
Business	1,466,561	1,545,766	1,521,955	23,811
Operation and maintenance of plant services	16,331,140	15,535,341	15,281,210	254,131
Student transportation services	13,330,549	12,693,731	12,650,019	43,712
Central	2,223,695	2,193,042	2,158,719	34,323
Other support services	126,149	127,749	127,739	10
Total Support Services	<u>59,287,248</u>	<u>57,813,194</u>	<u>56,801,957</u>	<u>1,011,237</u>
Operation of noninstructional services				
Student activities	4,651,152	4,243,693	4,080,327	163,366
Community services	124,074	169,510	157,640	11,870
Total Operation of Noninstructional Services	<u>4,775,226</u>	<u>4,413,203</u>	<u>4,237,967</u>	<u>175,236</u>
Debt service				
Principal, interest, and fiscal agent fees	24,976,962	23,751,536	23,653,792	97,744
TOTAL EXPENDITURES	<u>205,133,158</u>	<u>203,729,667</u>	<u>200,795,154</u>	<u>2,934,513</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,304,754)</u>	<u>98,737</u>	<u>5,643,294</u>	<u>5,544,557</u>
OTHER FINANCING SOURCES (USES)				
Refund of prior year expenditures	-	-	14,880	14,880
Refund of prior year revenues	-	(97,744)	(97,744)	-
Transfers out	(3,275,500)	(4,581,247)	(4,581,247)	-
TOTAL OTHER FINANCING USES	<u>(3,275,500)</u>	<u>(4,678,991)</u>	<u>(4,664,111)</u>	<u>14,880</u>
NET CHANGE IN FUND BALANCE	(4,580,254)	(4,580,254)	979,183	5,559,437
FUND BALANCE, BEGINNING OF YEAR	<u>32,371,889</u>	<u>32,371,889</u>	<u>32,371,889</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 27,791,635</u>	<u>\$ 27,791,635</u>	<u>\$ 33,351,072</u>	<u>\$ 5,559,437</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, 2014**

	<u>Food Service Fund</u>
ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 143,531
Investments	1,407,854
Due from other governments	41,888
Other receivables	4,043
Inventories	<u>17,200</u>
TOTAL CURRENT ASSETS	1,614,516
 CAPITAL ASSETS:	
Furniture and equipment, net	<u>224,324</u>
 TOTAL ASSETS	 <u><u>\$ 1,838,840</u></u>
 LIABILITIES AND NET POSITION	
CURRENT LIABILITIES:	
Accounts payable and accrued liabilities	\$ 410,969
Due to other funds	12,270
Unearned revenue	<u>103,010</u>
TOTAL LIABILITIES	<u>526,249</u>
 NET POSITION:	
Net investment in capital assets	224,324
Unrestricted	<u>1,088,267</u>
TOTAL NET POSITION	<u>1,312,591</u>
 TOTAL LIABILITIES AND NET POSITION	 <u><u>\$ 1,838,840</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, 2014**

	<u>Food Service Fund</u>
OPERATING REVENUES	
Food service revenues	\$ 2,549,726
TOTAL OPERATING REVENUES	<u>2,549,726</u>
OPERATING EXPENSES	
Professional and contract services	3,360,142
Depreciation	39,394
Other operating costs	93,542
TOTAL OPERATING EXPENSES	<u>3,493,078</u>
OPERATING LOSS	<u>(943,352)</u>
NONOPERATING REVENUES	
State sources	64,862
Federal sources	840,036
Interest income	1,327
TOTAL NONOPERATING REVENUES	<u>906,225</u>
CHANGE IN NET POSITION	(37,127)
NET POSITION, BEGINNING OF YEAR	<u>1,349,718</u>
NET POSITION, END OF YEAR	<u><u>\$ 1,312,591</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, 2014**

	<u>Food Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 2,577,438
Payments to suppliers	<u>(3,176,259)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(598,821)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
State sources	64,410
Federal sources	<u>699,482</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>763,892</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of capital assets	<u>(93,940)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(93,940)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of investment securities and deposits to investment pools	(289,527)
Interest income	<u>1,327</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(288,200)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(217,069)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>360,600</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 143,531</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	\$ (943,352)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	39,394
Commodities usage	133,398
Changes in assets and liabilities:	
Decrease in other receivables	26,504
Decrease in inventory	17,556
Increase in accounts payable and accrued liabilities	114,201
Increase in due to other funds	12,270
Increase in unearned revenue	<u>1,208</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (598,821)</u>
SUPPLEMENTAL DISCLOSURE	
NONCASH NONCAPITAL FINANCING ACTIVITY:	
USDA donated commodities	<u>\$ 133,398</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, 2014

	Student Activity Funds	Other Agency Fund	Total Agency Funds	Private- Purpose Trust
ASSETS				
Cash and cash equivalents	\$ 313,275	\$ 78,841	\$ 392,116	\$ 672,477
Other receivables	<u> -</u>	<u>1,815</u>	<u>1,815</u>	<u> -</u>
TOTAL ASSETS	<u>\$ 313,275</u>	<u>\$ 80,656</u>	<u>\$ 393,931</u>	<u>\$ 672,477</u>
LIABILITIES AND NET POSITION				
LIABILITIES:				
Other current liabilities	\$ 313,275	\$ 80,656	\$ 393,931	\$ 550
TOTAL LIABILITIES	<u>313,275</u>	<u>80,656</u>	<u>393,931</u>	<u>550</u>
NET POSITION:				
Restricted	<u> -</u>	<u> -</u>	<u> -</u>	<u>671,927</u>
TOTAL NET POSITION	<u> -</u>	<u> -</u>	<u> -</u>	<u>671,927</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 313,275</u>	<u>\$ 80,656</u>	<u>\$ 393,931</u>	<u>\$ 672,477</u>

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, 2014**

	<u>Private- Purpose Trust</u>
ADDITIONS	
Gifts and contributions	<u>\$ 714,446</u>
TOTAL ADDITIONS	<u>714,446</u>
DEDUCTIONS	
Grants	<u>723,178</u>
TOTAL DEDUCTIONS	<u>723,178</u>
CHANGE IN NET POSITION	(8,732)
NET POSITION, BEGINNING OF YEAR	<u>680,659</u>
NET POSITION, END OF YEAR	<u><u>\$ 671,927</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 District's operations and, therefore, data from these units are required to be combined with data of the primary school district. Each discretely presented component unit, on the other hand, is required to be reported in a separate column in the entity-wide financial statements to emphasize it is legally separate from the District. Based on the application of these principles, there are no component units presented in the District's financial statements.

Entity-wide and Fund Financial Statements

The entity-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for 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, 2014.

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.

Inventory

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

Capital Assets

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

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

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

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

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

District employees who are required to work on a 12-month schedule are credited with vacation at rates which vary with length of service or job classification. Vacation must be taken in the year subsequent to when it was earned. If separation of service occurs in the year subsequent to earning, then the unused balance of the amount earned in the prior year is paid at separation. The liability at June 30 represents vacation earned at that date that will be taken in the subsequent year.

Accrued Severance Pay

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

Long-term Obligations

In the entity-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are netted against outstanding principal balances and amortized over the life of the bonds. Bond issuance costs are expensed when incurred. Deferred amounts on refunding are recorded as deferred inflows or outflows of resources and amortized over the life of the old debt or the life of the new debt, whichever is shorter. All amortized amounts are amortized using the straight-line method which approximates the effective interest method.

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

Deferred Inflows and Deferred Outflows of Resources

In addition to assets and liabilities, the statement of net position and governmental funds balance sheet will sometimes report separate sections for deferred inflows and deferred outflows of resources. These separate financial statement elements represent acquisition or use of net position that applies to a future period(s) and so will not be recognized as an inflow or outflow of resources (revenue or expense/expenditure) until that time. The District currently has two types of items that qualify for reporting in these categories. Delinquent taxes not collected within 60 days of year end and, therefore, are not available under modified accrual reporting, are reflected as deferred inflows of resources on the general fund balance sheet. The deferred amount on

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

refunding reported as a deferred outflow of resources in the government-wide statement of net position results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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. A negative unassigned fund balance may be reported in the other governmental funds (not general fund) if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

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.

Net Position

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

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 2 BUDGETARY INFORMATION

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

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

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

NOTE 3 DEPOSITS

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, 2014, the carrying amount of the District's deposits was \$18,830,196 and the bank balance was \$20,878,580. 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

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 4 INVESTMENTS (cont'd)

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.

As of June 2014, the District had the following investments.

Investments held in the District's Name:

<u>Money Market</u>	
General fund accounts	\$ 6,157,410
Capital reserve fund account	76,419
Total Money Market	<u>6,233,829</u>
<u>Agencies and CDs</u>	
General fund accounts	26,192,828
Capital reserve fund account	9,750,245
Total Agencies and CDs	<u>35,943,073</u>
Total Investments Held in the District's Name	<u>\$ 42,176,902</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, 2014, it was rated AAA by a nationally recognized statistical rating agency. Fulton Financial Advisors is a registered member of the Securities and Exchange Commission and subject to the Commission's oversight. These investments are held by a third party. Investments are in short-term securities in accordance with the District's investment policy and school district code. All 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	\$ 1,994,912
Capital reserve fund account	778
Total Pennsylvania School District Liquid Asset Fund	<u>1,995,690</u>
<u>Pennsylvania Local Government Investment Trust ("PLGIT")</u>	
Capital project fund account	9,489,493
Total Pennsylvania Local Government Investment Trust	<u>9,489,493</u>
<u>Pennsylvania Treasurer's Investment Program ("PTIP")</u>	
General fund account	3,921,564
Capital reserve fund account	2
Food service fund account	1,407,854
Total Pennsylvania Treasurer's Investment Program	<u>5,329,420</u>
Total Pooled Investments	<u>\$ 16,814,603</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, 2014, each was rated as AAAM 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	\$ 2,743,923
Transfer taxes	507,964
Earned income taxes	<u>1,001,420</u>
Total Taxes Receivable	<u>\$ 4,253,307</u>

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

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, unavailable revenue of \$2,382,225 reported in the governmental funds resulted from delinquent property taxes receivable which was not collected within 60 days of fiscal year end.

NOTE 6 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
GOVERNMENTAL ACTIVITIES					
Capital assets not being depreciated:					
Land	\$ 33,159,800	\$ -	\$ -	\$ -	\$ 33,159,800
Construction-in-progress	<u>18,914,012</u>	<u>9,714,045</u>	<u>-</u>	<u>(1,358,559)</u>	<u>27,269,498</u>
Total Capital Assets Not Being Depreciated	<u>52,073,812</u>	<u>9,714,045</u>	<u>-</u>	<u>(1,358,559)</u>	<u>60,429,298</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	14,737,125	-	-	-	14,737,125
Buildings	363,112,043	-	-	1,348,874	364,460,917
Furniture and equipment	33,152,717	2,038,278	2,135,696	9,685	33,064,984
Total Capital Assets Being Depreciated	411,001,885	2,038,278	2,135,696	1,358,559	412,263,026
Accumulated depreciation for:					
Land improvements	4,427,615	728,353	-	-	5,155,968
Buildings	129,773,877	9,435,071	-	-	139,208,948
Furniture and equipment	29,933,561	1,550,432	2,129,764	-	29,354,229
Total Accumulated Depreciation	164,135,053	11,713,856	2,129,764	-	173,719,145
Total Capital Assets Being Depreciated, Net	246,866,832	(9,675,578)	5,932	1,358,559	238,543,881
Governmental Activities, Net	\$298,940,644	\$ 38,467	\$ 5,932	\$ -	\$298,973,179
BUSINESS-TYPE ACTIVITIES					
Capital assets:					
Furniture and equipment	\$ 598,500	\$ 93,940	\$ -	\$ -	\$ 692,440
Total Capital Assets	598,500	93,940	-	-	692,440
Accumulated depreciation for:					
Furniture and equipment	428,772	39,394	-	-	468,116
Total Accumulated Depreciation	428,772	39,394	-	-	468,116
Business-type Activities Capital Assets, Net	\$ 169,778	\$ 54,546	\$ -	\$ -	\$ 224,324

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

Governmental activities:	
Instruction	\$ 7,215,495
Instructional student support	895,277
Administrative and financial support services	927,923
Operation and maintenance of plant services	1,636,705
Pupil transportation	777,860
Student activities	250,903
Community services	9,693
Total Depreciation Expense - Governmental Activities	\$ 11,713,856
Business-type Activities - Food Service	\$ 39,394

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, 2014 is as follows:

<u>Receivable to</u>	<u>Payable from</u>	<u>Amount</u>
General Fund	Capital Projects Fund	\$ 14,283
General Fund	Food Service Fund	12,270
Capital Reserve Fund	General Fund	3,628,147
TOTAL		<u>\$ 3,654,700</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 \$4,581,247 to the capital reserve fund for the year ended June 30, 2014 to fund future planned capital expenditures. In addition, excess funds of \$18,021 related to the current year bond refunding were transferred from the other governmental fund to the Capital Projects Fund.

NOTE 8 LONG-TERM DEBT

The following summarizes the changes in the long-term liabilities of governmental activities for the year ended June 30, 2014:

	<u>Principal Outstanding July 1, 2013</u>	<u>Maturities</u>	<u>Additions</u>	<u>Principal Outstanding June 30, 2014</u>	<u>Due in One Year</u>
General obligation note, Series B of 2000	\$ 3,558,000	\$1,127,000	\$ -	\$ 2,431,000	\$1,185,000
General obligation bonds, Series of 2006	34,965,000	5,665,000	-	29,300,000	5,000
General obligation bonds, Series A of 2006	55,715,000	25,970,000	-	29,745,000	2,150,000
General obligation bonds, Refunding Series of 2006	20,350,000	1,500,000	-	18,850,000	1,555,000
General obligation bonds, Refunding Series A of 2006	37,130,000	150,000	-	36,980,000	155,000
General obligation bonds, Refunding Series of 2009	3,000,000	3,000,000	-	-	-
General obligation note, Series of 2009	9,985,000	5,000	-	9,980,000	5,000
General obligation bonds, Refunding Series of 2010	14,290,000	3,095,000	-	11,195,000	3,185,000
General obligation bonds, Refunding Series A of 2010	6,240,000	625,000	-	5,615,000	640,000
General obligation bonds Refunding Series AA of 2010	24,245,000	2,235,000	-	22,010,000	2,300,000

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 8 LONG-TERM DEBT (cont'd)

	Principal Outstanding July 1, 2013	Maturities	Additions	Principal Outstanding June 30, 2014	Due in One Year
General obligation bonds, Refunding Series of 2011	9,420,000	495,000	-	8,925,000	505,000
General obligation bonds, Series A of 2012	21,000,000	-	-	21,000,000	-
General obligation bonds, Series AA of 2012	39,330,000	5,000	-	39,325,000	110,000
General obligation bonds, Series of 2013	8,215,000	1,445,000	-	6,770,000	1,975,000
General obligation bonds, Series of 2014	-	-	12,000,000	12,000,000	-
General obligation bonds, Series A of 2014	-	-	30,890,000	30,890,000	5,000
	<u>287,443,000</u>	<u>45,317,000</u>	<u>42,890,000</u>	<u>285,016,000</u>	<u>13,775,000</u>
Deferred amounts:					
Issuance premium	<u>12,741,310</u>	<u>2,637,497</u>	<u>4,519,556</u>	<u>14,623,369</u>	<u>1,796,743</u>
LONG-TERM DEBT	<u>\$300,184,310</u>	<u>\$47,954,497</u>	<u>\$47,409,556</u>	<u>\$299,639,369</u>	<u>\$15,571,743</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 4.00% to 5.00%, interest payable semi-annually on May 15 and November 15.	\$ 29,300,000
Series A of 2006, original principal amount of \$100,810,000, maturing May 15, 2007 through May 15, 2030, bearing interest ranging from 4.50% to 5.00%, interest payable semi-annually on May 15 and November 15.	29,745,000
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.	18,850,000
Refunding Series A of 2006, original principal amount of \$37,935,000, maturing February 1, 2007 through February 1, 2027, bearing interest ranging from 3.70% to 4.50%, interest payable semi-annually on February 15 and August 15.	36,980,000
Refunding Series of 2010, original principal amount of \$22,330,000, maturing November 15, 2010 through November 15, 2017, bearing interest ranging from 2.00% to 3.00%, interest payable semi-annually on May 15 and November 15.	11,195,000

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 8 LONG-TERM DEBT (cont'd)

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.	5,615,000
Refunding Series AA of 2010, original principal amount of \$28,220,000, maturing March 15, 2014 through March 15, 2022, bearing interest ranging from 2.00% to 5.00%, interest payable semi-annually on March 15 and September 15.	22,010,000
Refunding Series of 2011, original principal amount of \$9,585,000, maturing February 15, 2014 through February 15, 2029, bearing interest ranging from 2.00% to 3.20%, interest payable semi-annually on February 15 and August 15.	8,925,000
Series A of 2012, original principal amount of \$21,000,000, maturing May 15, 2023 through May 15, 2032, bearing interest at 3.00%, interest payable semi-annually on May 15 and November 15.	21,000,000
Refunding Series AA of 2012, original principal amount of \$39,330,000, maturing May 15, 2014 through May 15, 2022, bearing interest ranging from 2.00% to 5.00%, interest payable semi-annually on May 15 and November 15.	39,325,000
Refunding Series of 2013, original principal amount of \$8,215,000, maturing October 1, 2014 through October 1, 2020, bearing interest at 2.00% to 4.00%, interest payable semi-annually on April 1 and October 1.	6,770,000
Refunding Series A of 2014, original principal amount of \$30,890,000, maturing May 5, 2015 through May 15, 2024, bearing interest at 0.30% to 5.00%, interest payable semi-annually on May 15 and November 15. The refunding resulted in a cash flow savings of \$1,936,530 and economic benefit of \$1,880,270.	30,890,000
Series of 2014, original principal amount of \$12,000,000, maturing May 15, 2025 through May 15, 2032, bearing interest ranging from 3.75% to 4.25%, interest payable semi-annually on May 15 and November 15.	<u>12,000,000</u>
TOTAL BONDS	<u>272,605,000</u>

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 8 LONG-TERM DEBT (cont'd)

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. 2,431,000

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. 9,980,000

TOTAL NOTES 12,411,000

TOTAL BONDS AND NOTES \$ 285,016,000

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

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

<u>Year Ending June 30,</u>	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Total Maturities</u>
2015	\$ 13,775,000	\$ 11,352,968	\$ 25,177,127
2016	13,261,000	11,077,132	24,338,132
2017	14,290,000	10,645,535	24,935,535
2018	14,985,000	10,310,937	25,295,937
2019	15,545,000	9,716,212	25,261,212
2020-2024	87,635,000	38,052,499	125,687,499
2025-2029	96,690,000	17,163,961	113,853,961
2030-2032	<u>28,835,000</u>	<u>1,811,538</u>	<u>30,646,538</u>
	<u>\$285,016,000</u>	<u>\$110,130,782</u>	<u>\$395,146,782</u>

NOTE 9 CHANGES IN OTHER LONG-TERM LIABILITIES

Other long-term liabilities are summarized as follows:

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2014</u>
Accrued compensated absences	\$ 1,459,024	\$ 822,605	\$ 503,199	\$ 1,778,430
Accrued severance	<u>5,368,764</u>	<u>676,868</u>	<u>2,946,668</u>	<u>3,098,964</u>
	<u>\$ 6,827,788</u>	<u>\$ 1,499,473</u>	<u>\$ 3,449,867</u>	<u>\$ 4,877,394</u>

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 9 CHANGES IN OTHER LONG-TERM LIABILITIES (cont'd)

During the current year, management changed their estimate of the severance portion of the compensated absences liability in order to be consistent with the labor agreements. Per the labor agreements, certain employees upon retirement under the provisions of PSERS are entitled to a severance payment based on the number of unused sick days multiplied by a daily rate. Retiring employees are eligible for this severance payment upon reaching 12 or 15 years of service with the District. In the past, management had assumed that employees that had reached five years of service with the District would eventually retire from the District and have the required years of service as defined above which would make them eligible for the payout. The compensated absences liability now only includes the liability for employees that have met the required years of service. This assumption change which decreased the prior year liability by \$2,135,869 was treated as a change in accounting estimate and has been accounted for in the current year statement of activities for the governmental activities opinion unit.

NOTE 10 CONTINGENT LIABILITIES

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

NOTE 11 CONSTRUCTION COMMITMENTS

As of June 30, 2014, the District had construction projects yet to be completed. The commitments and amounts completed to date are as follows:

	<u>Contract Amount</u>	<u>Completed as of June 30, 2014</u>	<u>Commitments</u>
Renovations	<u>\$ 30,736,639</u>	<u>\$ 26,221,979</u>	<u>\$ 4,514,660</u>

In addition, the District has incurred costs totaling \$1,047,519 for project costs that were not under a formal contract as of June 30, 2014.

NOTE 12 RISK MANAGEMENT

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

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 12 RISK MANAGEMENT (cont'd)

Each year the District is required to deposit funds into the central fund. The District then is billed monthly for actual claims for the current year paid during the previous month up to the level of retention. After the level of retention is reached, claim payments are made from the central fund. At the end of each fiscal year, reserves are established or adjusted on all outstanding claims. Funds in the central fund at the end of the fiscal year are not refunded. Total claims paid for the year ended June 30, 2014 were \$205,190.

Additionally, the District self-insures group medical, dental, vision, and prescription coverage. The District has accrued a three-month value for potential claims under medical, dental, vision, and prescription coverage. Total accrued claims for the year ended June 30, 2014 were \$4,090,044. Total claims paid for the year ended June 30, 2014 were \$22,796,979.

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, 2014, 2013, and 2012 totaled \$14,321,025, \$10,336,175, and \$7,377,780, respectively. Total covered payroll was \$84,589,634, and total payroll was \$87,121,085 for the current year. Shown below is a summary of plan benefit and asset information:

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 Employees' 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 Employees' Retirement Code and requires contributions by active members, employers, and the Commonwealth.

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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, 2014, the rate of employer contribution was 16.93 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 12 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.

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 Independence 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, teachers and nonbargaining staff are entitled to receive, at retirement, the single coverage provided to active employees in the Personal Choice 10/20/70 plan and Personal Choice 320 plan, respectively. Administrators receive both retiree and spousal coverage. For teachers and nonbargaining staff 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.

Throughout 2012-2014, through contract negotiations, the support staff and custodial retiree healthcare benefits were changed. Support staff and custodial eligible retirees that reach superannuation with at least 20 years of service at the District and are 50 years of age before July 1, 2012, who retire after July 1, 2012, do not receive post-retirement healthcare coverage. Instead, they receive an annual \$2,000 healthcare credit in a Health Reimbursement Account for a maximum of four years.

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

As of July 1, 2012, 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 Accrued 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]
7/1/2012	\$ -	\$19,107,176	\$19,107,176	0.00%	\$80,033,237	23.87%
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.

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, 2012 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

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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		\$ 898,916
Amortization of unfunded actuarial accrued liability		1,108,125
Interest on net OPEB obligation		1,673
Funding adjustment		<u>(2,156)</u>
ANNUAL OPEB COST		<u>\$ 2,006,558</u>
Net OPEB Obligation:		
Normal OPEB obligation July 1, 2013		\$ 37,180
OPEB cost for year ended June 30, 2014		2,006,558
Contribution for year ended June 30, 2014		<u>(1,807,346)</u>
NET OPEB OBLIGATION		<u>\$ 236,392</u>

NOTE 15 FUND BALANCES

As of June 30, 2014, 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	\$ 3,482,456	\$ -	\$ -	\$ 3,482,456
Restricted:				
Capital projects	-	8,376,597	17,672,551	26,049,148
Committed:				
PSERS	4,500,000	-	-	4,500,000
Healthcare	4,856,190	-	-	4,856,190
Assigned:				
Tax stabilization	5,951,300	-	-	5,951,300
Gate receipts	119,782	-	-	119,782
Unassigned	<u>14,441,344</u>	<u>-</u>	<u>-</u>	<u>14,441,344</u>
Total Fund Balances	<u>\$ 33,351,072</u>	<u>\$ 8,376,597</u>	<u>\$ 17,672,551</u>	<u>\$ 59,400,220</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 \$3,148,810 and \$7,197,265 for social security and retirement contributions, respectively. These contributions are recorded in the General Fund as revenue and expenditures.

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 17 SUBSEQUENT EVENTS

On September 22, 2014, the District issued Series AA of 2014 General Obligation Bonds in the amount of \$57,635,000 for the purpose of refunding the Series 2006 and Series A of 2006 General Obligation Bonds. The refunding resulted in a cash flow savings of \$7,433,269.

The District has evaluated all subsequent events through November 14, 2014, the date the financial statements were available to be issued.

SINGLE AUDIT SUPPLEMENT

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

November 14, 2014

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of West Chester Area School District, West Chester, Pennsylvania, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise West Chester Area School District's basic financial statements, and have issued our report thereon dated November 14, 2014.

Internal Control Over Financial Reporting

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

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

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

Board of School Directors
West Chester Area School District

Compliance and Other Matters

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

Purpose of this Report

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

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

INDEPENDENT AUDITOR'S
REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133

November 14, 2014

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

Report on Compliance for Each Major Federal Program

We have audited West Chester Area School District's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on West Chester Area School District's major federal program for the year ended June 30, 2014. West Chester Area School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and recommendations.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for West Chester Area School District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." 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 on compliance for the major federal program. However, our audit does not provide a legal determination of West Chester Area School District's compliance.

Board of School Directors
West Chester Area School District

Opinion on Major Federal Program

In our opinion, West Chester Area School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of West Chester Area School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered West Chester Area School District's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with 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 over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

WEST CHESTER AREA SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

PART A - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

Unmodified

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

Yes No

Identification of major program:

CFDA Numbers _____

Name of Federal Program or Cluster _____

10.553, 10.555

Child Nutrition Cluster

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

\$ 300,000

Auditee qualified as low-risk auditee?

Yes No

WEST CHESTER AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS

PART B - FINDINGS RELATED TO FINANCIAL STATEMENTS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

PART C - FINDINGS RELATED TO FEDERAL AWARDS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

**WEST CHESTER AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning - Ending	Program or Award Amount	Total Received for Year	Accrued (Unearned) Revenue 07/01/13	Revenue Recognized	Expenditures	Accrued (Unearned) Revenue 06/30/14
U.S. Department of Education										
Passed through PA Department of Education										
Title I Grants to Local Education Agencies	I	84.010	013-140470	07/01/13-09/30/14	\$ 457,707	\$ 398,665	\$ -	\$ 457,707	\$ 457,707	\$ 59,042
Title I Grants to Local Education Agencies	I	84.010	013-130470	07/01/12-09/30/13	514,255	208,143	206,275	1,868	1,868	-
Title I Grants to Local Education Agencies	I	84.010	107-130470	07/01/12-09/30/13	1,094,908	-	37,413	-	-	37,413
Total CFDA #84.010					606,808	606,808	243,688	459,575	459,575	96,455
English Language Acquisition Grants	I	84.365	010-140470	07/01/13-09/30/14	94,510	31,503	-	60,187	60,187	28,684
English Language Acquisition Grants	I	84.365	010-130470	07/01/12-09/30/13	98,857	72,495	7,207	65,288	65,288	-
Total CFDA #84.365					103,998	103,998	7,207	125,475	125,475	28,684
Improving Teacher Quality State Grants	I	84.367	020-140470	07/01/13-09/30/14	276,775	73,977	-	-	-	(73,977)
Improving Teacher Quality State Grants	I	84.367	020-130470	07/01/12-09/30/13	291,759	174,902	13,128	199,397	199,397	37,623
Total CFDA #84.367					248,879	248,879	13,128	199,397	199,397	(36,354)
Passed through Chester County O.I.C.										
Adult Education - Basic Grants to States	I	84.002	041-120010	07/01/12-06/30/13	24,000	2,000	2,000	-	-	-
Total CFDA #84.002					24,000	2,000	2,000	-	-	-
Passed through Chester County I.U.										
IDEA Special Education - Grants to States	I	84.027	62-1300024	07/01/13-09/30/14	1,148,571	842,285	-	1,148,571	1,148,571	306,286
IDEA Special Education - Grants to States	I	84.027	62-1200024	07/01/12-09/30/13	1,264,456	421,485	421,485	-	-	-
Total CFDA #84.027					1,263,770	1,263,770	421,485	1,148,571	1,148,571	306,286
IDEA Special Education - Preschool Grants	I	84.173	131-130024B	07/01/13-09/30/14	6,095	6,095	-	6,095	6,095	-
TOTAL U.S. DEPARTMENT OF EDUCATION						2,231,550	687,508	1,939,113	1,939,113	395,071
U.S. Department of Health and Human Services										
Passed through PA Dept of Public Welfare										
Title XIX Medical Assistance Program	I	93.778	N/A	07/01/13-06/30/14	51,514	51,514	-	51,514	51,514	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						51,514	-	51,514	51,514	-

Continued on next page.

**WEST CHESTER AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning - Ending	Program or Award Amount	Total Received for Year	Accrued (Unearned) Revenue 07/01/13	Revenue Recognized	Expenditures	Accrued (Unearned) Revenue 06/30/14
U.S. Department of Agriculture										
Passed through PA Department of Agriculture										
Value of USDA Donated Commodities	I	10.555	N/A	07/01/13-06/30/14	N/A	115,840	-	98,642	98,642	(17,198)
Value of USDA Donated Commodities	I	10.555	N/A	07/01/12-06/30/13	N/A	-	(34,756)	34,756	34,756	-
Passed through PA Department of Education										
National School Lunch Program	I	10.555	362	07/01/13-06/30/14	N/A	586,334	24,435	592,094	592,094	30,195
Total CFDA #10.555						702,174	(10,321)	725,492	725,492	12,997
School Breakfast Program	I	10.553	365	07/01/13-06/30/14	N/A	112,535	6,185	114,544	114,544	8,194
School Breakfast Program	I	10.553	367	07/01/13-06/30/14	N/A	613	613	-	-	-
Total CFDA #10.553						113,148	6,798	114,544	114,544	8,194
TOTAL U.S. DEPARTMENT OF AGRICULTURE						815,322	(3,523)	840,036	840,036	21,191
TOTAL FEDERAL AWARDS						\$ 3,098,386	\$ 683,985	\$ 2,830,663	\$ 2,830,663	\$ 416,262
SPECIAL EDUCATION CLUSTER (IDEA) (CFDA's #84.027 AND #84.173)										
						\$ 1,269,865	\$ 421,485	\$ 1,154,666	\$ 1,154,666	\$ 306,286
CHILD NUTRITION CLUSTER (CFDA's #10.553 AND #10.555)										
						\$ 815,322	\$ (3,523)	\$ 840,036	\$ 840,036	\$ 21,191

Source Code:

I - Indirect Funding

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A BASIS OF PRESENTATION

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

NOTE B BASIS OF ACCOUNTING

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

NOTE C NONMONETARY FEDERAL AWARDS - DONATED COMMODITIES

The Commonwealth of Pennsylvania distributes federal surplus food to institutions (schools, hospitals and prisons) and to the needy. Expenditures reported in the schedule of expenditures of federal awards under CFDA #10.555 (Value of USDA Commodities) represent surplus food consumed by the District during the 2013-2014 fiscal year. The District has food commodities totaling \$17,200 in inventory as of June 30, 2014.

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, 2014 was \$671,156.

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