

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.

\$7,495,000

West Chester Area School District (Chester and Delaware Counties, Pennsylvania) General Obligation Bonds, Series of 2017

Bonds Dated: Date of Delivery

Principal Due: December 15, as shown on inside cover

Interest Due: June 15 and December 15

First Interest Payment: December 15, 2017

The bonds described herein will be issued in the aggregate principal amount of \$7,495,000 and will be designated as the General Obligation Bonds, Series of 2017 (the "Bonds"). The Bonds will be issued in denominations of \$5,000 and integral multiples thereof, and will be registered in the name of Cede & Co., as the 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 December 15, 2017 and thereafter semiannually on June 15 and December 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 has irrevocably 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 currently refund the School District's outstanding General Obligation Bonds Series of 2011 and to 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. PFM Financial Advisors LLC, 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 May 31, 2017.

BAIRD

\$7,495,000

West Chester Area School District
(Chester and Delaware Counties, Pennsylvania)
General Obligation Bonds, Series of 2017

Bonds Dated: Date of Delivery
Interest Due: June 15 and December 15
Denomination: Integral multiples of \$5,000

Principal Due: December 15 (as shown below)
First Interest Payment: December 15, 2017
Form: DTC Book-Entry Only

BOND MATURITY SCHEDULE:

Maturity Date (December 15)	Principal	Interest	Initial Offering	Initial Offering	
Year	Amounts	Rates	Yields	Prices	CUSIP⁽¹⁾
2017	\$280,000	2.000%	0.830%	100.627%	952030Z80
2018	590,000	2.000%	0.900%	101.677%	952030Z98
2019	605,000	2.000%	1.050%	102.373%	9520302A1
2020	615,000	2.000%	1.200%	102.763%	9520302B9
2021	625,000	2.000%	1.350%	102.852%	9520302C7
2022	640,000	2.000%	1.500%*	102.417%	9520302D5
2023	660,000	2.000%	1.650%*	101.685%	9520302E3
2024	670,000	2.000%	1.800%*	100.958%	9520302F0
2025	680,000	2.000%	1.900%*	100.478%	9520302G8
2026	700,000	2.000%	2.000%	100.000%	9520302H6
2027	710,000	2.150%	2.150%	100.000%	9520302J2
2028	720,000	2.250%	2.250%	100.000%	9520302K9

* Yield shown is to first optional redemption date as of June 15, 2022.

⁽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.

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

BOARD OF SCHOOL DIRECTORS

Chris McCune	President
Sue Tiernan	Vice President
Gary Bevilacqua	Member
Joyce Chester	Member
Karen Herrmann	Member
Robin Kaliner	Member
Kate Shaw	Member
Dr. Ricky Swalm	Member
M. Christopher Tabakin	Member
Linda Cherashore	Secretary*
Carol DeLuca	Assistant Secretary*
John T. Scully	Treasurer*

*Non-Voting Member

SUPERINTENDENT
DR. JAMES R. SCANLON

DIRECTOR OF BUSINESS AFFAIRS
JOHN T. SCULLY

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

BOND COUNSEL
RHOADS & SINON LLP
Harrisburg, Pennsylvania

FINANCIAL ADVISOR
PFM FINANCIAL ADVISORS LLC
Harrisburg, Pennsylvania

UNDERWRITER
ROBERT W. BAIRD & CO. INC.
Milwaukee, Wisconsin

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

\$7,495,000

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

General Obligation Bonds, Series of 2017

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 \$7,495,000 aggregate principal amount, of its General Obligation Bonds, Series of 2017 (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 November 28, 2016 (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 currently refund the School District's outstanding General Obligation Bonds, Series of 2011 (the "2011 Bonds"), and to pay the costs of issuing the Bonds.

Upon issuance of the Bonds, a portion of the proceeds will be irrevocably deposited with T.D. Bank, N.A., as paying agent for the General Obligation Bonds, Series of 2011, which will be used to retire all \$7,380,000 outstanding 2011 Bonds on or within 90 days of the issuance date of 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.

<u>Sources of Funds:</u>	Total
Bond Proceeds	\$7,495,000.00
Plus: Net Original Issue Premium	97,082.80
<i>Total</i>	<u><u>\$7,592,082.80</u></u>
<u>Uses of Funds:</u>	
Amount Required to Pay and Redeem 2011 Bonds	\$7,438,377.66
Costs of Issuance ⁽¹⁾	148,203.90
Miscellaneous Expenses/Rounding	5,501.24
<i>Total</i>	<u><u>\$7,592,082.80</u></u>

(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 \$7,495,000. 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 December 15, 2017, and, thereafter, semiannually on June 15 and December 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 (or to any successor paying agent at its designated office(s)).

Interest on any 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 December 15, 2017, 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 on a parity basis with all existing and future general obligation debt of the School District, 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 the 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” below).

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 Secretary of Education 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.

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. Enforcement may also be limited by bankruptcy, insolvency, or other laws or equitable principles affecting the enforcement of creditors’ rights generally. See “**Pennsylvania Budget Adoption**” hereinafter.

Pennsylvania Budget Adoption

Over the past several years the Commonwealth of Pennsylvania has, from time to time, started its fiscal year without a fully adopted state budget. In the state's 2015-16 fiscal year, a final budget was not enacted until 270 days following the beginning of the fiscal year on March 27, 2016 when the Governor failed to sign or veto the state budget that was adopted by the General Assembly on March 17, 2016.

For the current 2016-17 fiscal year, the state budget became law, known as Act 16A of 2016, on July 12, 2016 when the Governor failed to sign or veto the state budget that was adopted by the General Assembly on July 1, 2016. On July 13, 2016, the General Assembly adopted and Governor signed into law an additional tax and revenue package, known as Act 85 of 2016 that was needed to balance the 2016-17 state budget.

During a state budget impasse, school districts in Pennsylvania cannot be certain when state subsidies and revenues owed them from the Commonwealth will become available. This includes many of the major state subsidies, and overall revenues, that a Pennsylvania school district receives including basic education funding, special education funding, PlanCon (debt service) reimbursements, and certain block grants, among many others. **Future budget impasses may affect the timeliness or amount of payments by the Commonwealth under the withholding provisions of Section 633 of the Public School Code, however recent legislation included in Act 85 of 2016 has attempted to address the timeliness of the withholding provisions of Section 633 of the Public School Code during any future budget impasses. See "Act 85 of 2016" below.**

Act 85 of 2016

On July 13, 2016, the Governor of the Commonwealth signed into law Act No. 85 of 2016, (P.L. 664, No. 85) ("Act 85 of 2016"), an amendment to the Act of April 9, 1929 (P.L. 343, No. 176), known as the Fiscal Code ("Fiscal Code"). Act 85 of 2016 adds to the Fiscal Code Article XV1-E.4, entitled "School District Intercepts for the Payment of Debt Service During Budget Impasse", which provides for intercept of subsidy payments by the Pennsylvania Department of Education ("PDE") to a school district subject to an "intercept statute" or an "intercept agreement" in the event of a Commonwealth budget impasse in any fiscal year.

Act 85 of 2016 includes in the definition of "intercept statute" Section 633 of the Public School Code. The School District's general obligation bonds, including the Bonds, are subject to Section 633 of the Public School Code.

Act 85 of 2016 provides that the amounts that may be necessary for PDE to comply with the provisions of the applicable intercept statute or intercept agreement "shall be appropriated" to PDE from the General Fund of the Commonwealth after PDE submits justification to the majority and minority chairs of the appropriations committees of the Pennsylvania Senate and House of Representatives allowing ten (10) calendar days for their review and comment, if, in any fiscal year:

- (1) annual appropriations for payment of Commonwealth money to school districts have not been enacted by July 1 and continue not to be enacted when a payment is due;
- (2) the conditions under which PDE is required to comply with an intercept statute or intercept agreement have occurred, thereby requiring PDE to withhold payments which would otherwise be due to school districts; and
- (3) the Secretary of PDE, in consultation with the Secretary of the Budget, determines that there are no payments or allocations due to be paid to the applicable school districts from which PDE may withhold money as required by the applicable intercept statute or intercept agreement.

The necessary amounts shall be appropriated on the expiration of the tenth (10th) day following submission of the justification described above to the majority and minority chairs of the appropriations committees, who may comment on the justification but cannot prevent the effectiveness of the appropriation.

The total of all intercept payments under Article XV11-E.4 for a school district may not exceed 50% of the total nonfederal general fund subsidy payments made to that school district in the prior fiscal year.

Act 85 of 2016 requires that each school district with bonds or notes subject to an intercept statute or intercept agreement must deliver to PDE, in such format as PDE may direct, a copy of the final Official Statement for the relevant bonds or notes or the loan documents relating to the obligations, within thirty (30) days of receipt of the proceeds of the obligations. The School District intends on submitting this information with respect to the Bonds to PDE within the prescribed timeframe following the issuance of the Bonds. Act 85 of 2016 provides that any obligation for which PDE does not receive the required documents shall not be subject to the applicable intercept statute or intercept agreement.

The provisions of Act 85 of 2016 are not part of any contract with the holders of the Bonds and may be amended or repealed by future legislation.

Sinking Fund

The sinking fund for the payment of debt service on the Bonds, designated "General Obligation Bonds, Series of 2017 - 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.

REDEMPTION OF BONDS

Optional Redemption

The Bonds stated to mature on or after December 15, 2022, 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 June 15, 2022, 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.

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.

If any maturity of the Bonds which is subject to mandatory sinking fund redemption shall be called for optional redemption in part, the School District shall be entitled to designate whether the principal amount redeemed is to be credited against the principal amount of the Bonds of any such maturity required to be called for mandatory sinking fund redemption on any particular future date or dates, or shall be credited against the principal amount of such Bonds to be due and payable at stated maturity, in each case in a whole multiple of \$5,000 principal amount.

THE SCHOOL DISTRICT

Introduction

The School District consists of the Borough of West Chester and surrounding municipalities 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 District Facilities

The School District operates ten elementary schools, three middle schools and three high schools an administration building and athletic and support facilities, all as described on the following table. Students at the secondary level also attend the Central Chester County Area Vocational Technical School.

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

Building	Original Construction Date	Addition and/or Renovation Date	Grades	2016-17 Enrollment*
High Schools				
B. Rustin High School	2003-06	-	9-12	1,286
East High School	1973	1976/92/93/04	9-12	1,245
Henderson High School	1951	1956/64/76/94/98/04	9-12	1,222
Middle Schools				
E. N. Peirce Middle School	1963	1998/01/03	6-8	953
G. A. Stetson Middle School	1959	1961/98/03/07	6-8	973
J. R. Fugett Middle School	1969	2009	6-8	883
Elementary Schools				
East Bradford Elementary	1958	1966/70/89/14	K-5	440
East Goshen Elementary	1955	1960/64/67/95/01	K-5	405
Exton Elementary	1940	1953/57/91/92/93/00	K-5	476
Fern Hill Elementary	1955	1960/89	K-5	532
Glen Acres Elementary	1966	1997	K-5	555
Hillsdale Elementary	1976	2007	K-5	562
Mary C. Howse Elementary	1962	1965/97	K-5	524
Penn Wood Elementary	1966	1970/89/01/13	K-5	510
Sarah W. Starkweather Elementary	1991	1998	K-5	583
Westtown-Thornbury Elementary	1954	1956/89/13	K-5	440
Other				
Facilities & Operations Center	1999	-	-	
Spellman Administration	1924	1952/55/77/99	Admin./Gifted	
East/Fugett Athletic Fields	2004	-	-	
Henderson-North Campus Athletics	2006	-	-	
			Totals	11,589

*Projected for September 30, 2016 enrollment.

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 District 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 Year	K-5	6-8	9-12	Total	School Year	K-5	6-8	9-12	Total
2012-13	5,069	2,763	3,855	11,687	2017-18	5,145	2,791	3,740	11,676
2013-14	5,037	2,754	3,824	11,615	2018-19	5,154	2,723	3,812	11,689
2014-15	5,026	2,790	3,808	11,624	2019-20	5,095	2,768	3,776	11,639
2015-16	4,943	2,782	3,758	11,483	2020-21	5,087	2,780	3,799	11,666
2016-17	5,027	2,809	3,753	11,589	2021-22	5,127	2,771	3,754	11,652

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.

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 ("PDE"). An annual operating budget is prepared by school district administrative officials on a uniform form furnished by PDE 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 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 2016-17 Budget Under Act 1. On May 25, 2016, at its regular monthly meeting the School Board of the School District adopted a FY 2016-17 Final Budget, which calls for a tax millage rate increase of 2.7%, up .52 mills over the previous approved FY budget, to 20.0982 mills. This budget relies heavily on School District spending reductions and the use of approximately \$7.9 million of the School District's accumulated fund balance. Property tax millage rates in the School District will remain the lowest of any school district in Chester County or Delaware County, Pennsylvania.

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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 and the 2016-17 budget.

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
ASSETS					
Current:					
Cash and Cash Equivalents	\$21,056,456	\$22,136,164	\$17,622,072	\$23,439,719	\$18,762,949
Investments	29,986,905	47,173,414	57,583,651	44,283,458	53,490,542
Internal Balances	0	0	0	(492)	(585)
Investments (restricted)	1,892,658	1,894,735	0	0	0
Property Taxes Receivable, Net	5,130,823	4,760,811	4,253,307	3,651,985	3,615,153
Due from other Governments	1,232,213	2,170,257	2,683,899	3,557,838	4,598,096
Other Receivables	1,461,604	1,429,544	868,411	814,784	1,709,901
Prepaid Expenditures	1,277,682	1,918,300	3,482,456	4,413,770	2,434,975
Other Current Assets	0	0	12,270	0	0
TOTAL CURRENT ASSETS	<u>\$62,038,341</u>	<u>\$81,483,225</u>	<u>\$86,506,066</u>	<u>\$80,161,062</u>	<u>\$84,611,031</u>
Noncurrent Assets					
Capital Assets:					
Bond issuance costs	\$2,089,774	\$0	\$0	\$0	\$0
Other post-employment benefits	0	0	0	0	0
Land	33,159,800	33,159,800	33,159,800	33,159,800	28,289,916
Land Improvements	14,452,651	14,737,125	14,737,125	15,387,038	15,770,266
Buildings	361,025,298	363,112,043	364,460,917	396,169,432	398,442,243
Construction in Progress	5,946,351	18,914,012	27,269,498	8,544,126	13,850,498
Furniture and Equipment	31,878,086	33,152,717	33,064,984	35,366,723	35,726,095
TOTAL CAPITAL ASSETS, NET OF DEPRECIATION	<u>\$448,551,960</u>	<u>\$463,075,697</u>	<u>\$472,692,324</u>	<u>\$488,627,119</u>	<u>\$492,079,018</u>
Less: Accumulated depreciation	(\$152,666,816)	(\$164,135,053)	(\$173,719,145)	(\$185,790,681)	(\$198,539,706)
TOTAL ASSETS	<u>\$357,923,485</u>	<u>\$380,423,869</u>	<u>\$385,479,245</u>	<u>\$382,997,500</u>	<u>\$378,150,343</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred amount on refunding	\$0	\$4,391,514	\$5,544,256	\$7,591,636	\$7,550,581
Deferred Pension Contributions	0	0	0	18,609,908	22,053,155
Deferred Pension	0	0	0	4,661,632	9,097,787
TOTAL DEFERRED OUTFLOWS	<u>\$0</u>	<u>\$4,391,514</u>	<u>\$5,544,256</u>	<u>\$30,863,176</u>	<u>\$38,701,523</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$357,923,485</u>	<u>\$384,815,383</u>	<u>\$391,023,501</u>	<u>\$413,860,676</u>	<u>\$416,851,866</u>
LIABILITIES					
Current:					
Accounts Payable and other current liabilities	\$18,586,164	\$23,697,396	\$25,042,441	\$27,410,251	\$22,202,118
Bond and Notes Payable Due Within One Year	13,107,000	13,765,676	15,571,743	11,835,240	16,976,211
Accrued Interest	2,053,135	1,654,712	2,062,171	1,933,474	1,500,949
Deferred Revenues	44,571	23,781	195,159	105,440	144,102
TOTAL CURRENT LIABILITIES	<u>\$33,790,870</u>	<u>\$39,141,565</u>	<u>\$42,871,514</u>	<u>\$41,284,405</u>	<u>\$40,823,380</u>
Long-Term:					
Bonds and Notes Payable Due After One Year	\$273,424,676	\$286,418,634	\$284,067,626	\$277,603,614	\$273,049,843
Accrued Severance and Compensated Absences	6,509,029	6,827,788	4,877,394	4,805,853	4,626,439
Other post-employment benefits	41,873	37,180	236,392	293,516	406,171
Net pension liability	0	0	0	262,381,000	293,071,000
TOTAL LONG-TERM LIABILITIES	<u>\$279,975,578</u>	<u>\$293,283,602</u>	<u>\$289,181,412</u>	<u>\$545,083,983</u>	<u>\$571,153,453</u>
TOTAL LIABILITIES	<u>\$313,766,448</u>	<u>\$332,425,167</u>	<u>\$332,052,926</u>	<u>\$586,368,388</u>	<u>\$611,976,833</u>
DEFERRED INFLOW OF RESOURCES					
Deferred pension	\$0	\$0	\$0	\$18,757,000	\$1,803,000
NET POSITION (DEFICIT)					
Net investment in capital assets	\$8,057,190	\$5,876,233	\$7,710,407	\$20,989,220	\$11,063,839
Restricted for Capital Projects	14,329,759	15,646,701	17,672,551	22,203,300	27,440,218
Unrestricted (Deficit)	21,770,088	30,867,282	34,101,596	(\$234,457,232)	(\$235,432,024)
TOTAL FUND EQUITIES	<u>\$44,157,037</u>	<u>\$52,390,216</u>	<u>\$59,484,554</u>	<u>(\$191,264,712)</u>	<u>(\$196,927,967)</u>
TOTAL LIABILITIES AND FUND EQUITIES/NET ASSETS	<u>\$357,923,485</u>	<u>\$384,815,383</u>	<u>\$391,537,480</u>	<u>\$413,860,676</u>	<u>\$416,851,866</u>

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				Budgeted
	2013	2014	2015	2016	2017 ⁽¹⁾
Beginning Fund Balance	\$25,376,004	\$32,371,890	\$33,351,073	\$31,665,559	\$29,299,721
Revenues over (under) Expenditure	6,995,886	979,183	(1,685,514)	(2,904,581)	(\$7,971,022)
Prior Period Adjustment	0	0	0	0	0
Ending Fund Balance	<u>\$32,371,890</u>	<u>\$33,351,073</u>	<u>\$31,665,559</u>	<u>\$28,760,978</u>	<u>\$21,328,699</u>

*Totals may not add due to rounding.

⁽¹⁾Budget, as adopted May 25, 2016.

Source: School District Annual Financial Reports and Budget.

General Fund Revenue

The School District received \$220,793,388 in total revenue in FY 2015-16, and has budgeted total revenue of \$229,453,273 in FY 2016-17. Local sources decreased as a share of total revenue in the past five years, from 84.25% in FY 2012-13 to a budgeted 82.07% in FY 2016-17. Revenue from Commonwealth sources increased slightly as a share of the total revenue from 14.39% to a budgeted 17.29% over this period. Federal and other revenue decreased as a share of the total revenue from 1.35% to 0.65% over this period.

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

REVENUE:	Actual				Budgeted
	2013	2014	2015	2016	2017
Local Sources:					
Real Estate Taxes (Current)	\$141,839,871	\$143,225,113	\$147,447,717	\$151,929,043	\$156,123,607
Interim Real Estate Taxes	1,573,196	679,486	955,973	780,930	1,311,717
Total Act 511 Taxes	22,165,152	23,185,205	23,505,224	24,325,967	24,835,098
Public Utility Realty Tax	223,786	210,851	214,682	198,340	200,000
Delinquencies on Taxes Levied	4,069,877	3,365,905	3,246,013	3,000,329	3,008,800
Earnings from Temporary Deposits & Investments	129,835	70,970	165,496	332,215	194,088
PA Revenue Rec'd.-Other Intermediate Sources	413,737	419,389	136,281	152,905	131,500
Fed. Rev. Rec'd.-Other Intermediate/PA Sources	1,264,456	1,154,666	1,215,754	1,199,740	1,193,717
Tuition from Patrons	143,171	29,342	149,291	157,428	151,075
Rentals	298,044	332,728	347,233	402,308	360,000
Contributions and Donations	6,500	11,500	5,000	13,381	0
Receipts from Other LEAs	583,741	408,333	213,468	385,557	310,000
Refund of Prior Years' Expenditures	24,824	14,881	16,391	36,859	25,000
All Other Local Revenues Not Specified	20,944	106,126	398,020	406,289	460,485
Other Sources	74,943	13,861	0	0	0
Total Local Sources	<u>\$172,832,076</u>	<u>\$173,228,355</u>	<u>\$178,016,542</u>	<u>\$183,321,291</u>	<u>\$188,305,087</u>
State Sources:					
Total State Sources	<u>\$29,520,370</u>	<u>\$31,717,857</u>	<u>\$34,209,926</u>	<u>\$35,806,499</u>	<u>\$39,665,177</u>
Federal Sources:					
Total Federal Sources	<u>\$2,776,774</u>	<u>\$1,507,117</u>	<u>\$1,744,067</u>	<u>\$1,665,595</u>	<u>\$1,483,009</u>
Other Sources:					
Total Other Sources	<u>\$973</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
TOTAL REVENUE	<u>\$205,130,193</u>	<u>\$206,453,328</u>	<u>\$213,970,536</u>	<u>\$220,793,385</u>	<u>\$229,453,273</u>

*Totals may not add due to rounding.

⁽¹⁾Budget, as adopted May 25, 2016.

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				Budgeted
	2013	2014	2015	2016	2017 (1)
Instruction	\$113,035,856	\$116,101,438	\$122,147,058	\$130,495,364	\$137,097,197
Pupil Personnel	7,296,705	7,675,484	8,265,336	8,637,182	9,103,816
Instructional Staff.....	4,921,268	4,881,281	4,873,550	5,213,154	5,677,842
Support Services – Administration.....	9,887,950	10,502,799	10,279,965	10,569,909	11,437,154
Support Services - Pupil Health.....	1,907,607	2,002,751	2,075,995	2,165,522	2,177,760
Business	1,382,290	1,521,955	1,711,746	1,859,038	1,808,815
Operation & Maintenance.....	14,582,011	15,281,210	15,377,641	15,696,512	18,027,336
Pupil Transportation	12,849,133	12,650,019	13,005,903	13,183,652	13,409,049
Central Support Services	2,136,470	2,158,719	3,209,406	3,489,068	3,593,682
Support Services – Other	125,729	127,739	262,755	127,780	226,988
Community Services.....	0	0	0	0	0
Non-instructional Services.....	4,159,666	4,237,967	4,610,182	4,803,105	5,135,562
Facilities Acquisition, Construction and Improvement....	650,293	0	0	0	0
Capital Outlay	0	0	0	0	0
Debt Service.....	21,896,024	23,653,792	21,246,767	18,350,433	25,318,815
Refund Prior Year Expenditures.....	(390,690)	97,744	0	0	0
Other Support Services	0	0	0	0	0
Budgetary Reserves & Transfers	3,693,995	4,581,247	8,589,744	9,107,247	4,410,279
TOTAL EXPENDITURES.....	\$198,134,307	\$205,474,145	\$215,656,048	\$223,697,966	\$237,424,295
SURPLUS (DEFICIT) OF REVENUES					
OVER EXPENDITURES.....	\$6,995,886	\$979,183	(\$1,685,512)	(\$2,904,581)	(\$7,971,022)

*Totals may not add due to rounding.

⁽¹⁾Budget, as adopted May 25, 2016.

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.

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 next, current and prior fiscal years are as follows:

<u>Fiscal Year</u>	<u>Index %</u>
2017-18	2.5
2016-17	2.4
2015-16	1.9
2014-15	2.1
2013-14	1.7

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.

SET FORTH ABOVE IS A SUMMARY OF PORTIONS OF ACT 1. THIS SUMMARY IS NOT INTENDED TO BE AN EXHAUSTIVE DISCUSSION OF THE PROVISIONS OF ACT 1 NOR A LEGAL INTERPRETATION OF ANY PROVISION OF ACT 1, AND A PROSPECTIVE PURCHASER OF THE BONDS SHOULD REVIEW THE FULL TEXT OF ACT 1 AS A PART OF ANY DECISION TO PURCHASE THE BONDS.

Status of the Bonds Under Act 1

No exception to the referendum requirement is expected for any new taxes required to pay the debt service on the 2017 Bonds if a tax increase greater than the Index is required. The School District believes that it has included sufficient new tax millage in its 2016/17 budget to cover the full amount of the debt service on the 2017 Bonds without exceeding the 2016/17 Index (although the actual tax increase may exceed the 2016/17 Index as a result of the other available and approved (non-debt related) exceptions to the 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.

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**

	Chester County (mills)	Delaware County (mills)	Real Estate Transfer⁽¹⁾ (%)	Wage and Income⁽¹⁾ (%)
2012-13-----	18.6700	13.7800	1.00	1.00
2013-14-----	18.6700	13.7800	1.00	1.00
2014-15-----	19.2100	13.6500	1.00	1.00
2015-16-----	19.5779	13.9059	1.00	1.00
2016-17-----	20.0982	14.7113	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)**

	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
<i>School District</i>					
Chester County -----	18.6700	18.6700	19.2100	19.5779	20.0982
Delaware County -----	13.7800	13.6200	13.6500	13.9059	14.7113
East Bradford Township -----	0.3400	0.3400	0.3400	0.3400	1.0000
East Goshen Township -----	1.2500	1.2500	1.2500	1.2500	1.2500
Thornbury Township -----	0.8400	0.8400	0.9950	0.9950	0.9950
Thornbury Township (Delaware County) -----	0.0000	0.0000	0.0000	0.0000	0.0000
West Chester Borough -----	6.9600	6.9600	6.9600	6.9600	6.9600
West Goshen Township -----	2.0000	2.0000	2.0000	2.0000	2.0000
West Whiteland Township -----	0.6000	0.7190	0.7190	0.7190	0.7190
Westtown Township -----	2.5000	3.5000	3.5000	3.5000	3.5000
Chester County -----	3.9650	4.1630	4.1630	4.1630	4.1630

Source: Chester County and Delaware County websites.

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Real Property Tax

The real property tax including interim collections (excluding delinquent collections) produced \$158,266,705 in 2015-16, approximately 71.68% 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**

Fiscal Year	Market Value	Assessed Value	Ratio
2016-17*	\$12,786,398,937	\$8,399,494,496	64.79%
2015-16	12,891,822,543	8,345,996,336	64.74%
2014-15	12,786,398,938	8,283,779,633	64.79%
2013-14	12,546,941,354	8,272,286,725	65.93%
2012-13	12,536,540,439	8,271,805,460	65.98%
2011-12	11,993,394,603	8,268,621,635	68.94%

*Market value based on prior year's ratio and assessed value taken from the PDE 2028 for FYE June 30, 2017.

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**

	2014-15 Market Value	2014-15 Assessed Value	2015-16 Market Value	2015-16 Assessed Value
<i>School District</i>	\$12,786,398,938	\$8,283,779,633	\$12,891,822,542	\$8,345,996,336
<i>Chester County</i>	56,007,223,658	36,650,182,318	57,018,760,039	37,582,234,034
East Bradford Township	1,225,841,430	808,009,814	1,228,268,755	809,645,794
East Goshen Township	2,460,002,893	1,608,485,256	2,471,299,602	1,617,685,936
Thornbury Township	447,761,800	313,090,559	453,835,913	317,168,399
Thornbury Township (Del County)	736,704,933	642,425,224	741,885,252	647,334,859
West Chester Borough	1,416,783,104	696,520,670	1,442,164,765	708,052,445
West Goshen Township	2,773,250,996	1,776,988,873	2,826,211,697	1,806,463,873
West Whiteland Township	2,511,985,481	1,684,674,012	2,512,623,395	1,685,060,215
Westtown Township	1,214,068,300	753,585,225	1,215,533,163	754,584,815

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

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

	2012	2013	2014	2015	2016
Residential	\$6,251,775,095	\$6,246,647,821	\$6,259,613,155	\$6,284,258,852	\$6,320,020,535
Land	33,333,358	30,550,302	42,183,581	40,040,064	52,180,016
Industrial	152,354,560	150,608,660	148,415,270	147,601,360	147,070,325
Commercial	1,806,207,942	1,817,913,317	1,782,733,167	1,773,571,097	1,802,557,370
Agriculture	22,861,940	22,769,440	22,066,740	22,066,740	22,703,280
Trailers	1,446,400	1,442,150	1,451,340	1,447,630	1,464,810
Lots	642,340	1,873,770	15,823,472	14,793,890	37,835,275
Total	\$8,268,621,635	\$8,271,805,460	\$8,256,463,253	\$8,268,985,743	\$8,345,996,336

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>
2011-12.....	\$8,267,705,393	18.3600	\$149,159,276	\$143,252,119	96.04%	\$147,068,533	98.59%
2012-13.....	8,228,527,694	18.6700	150,509,123	144,033,647	95.70%	148,103,524	98.40%
2013-14.....	8,254,223,475	18.6700	150,888,350	145,796,697	96.63%	149,162,602	98.85%
2014-15	8,322,991,732	19.2100	156,297,569	151,076,254	96.66%	154,322,267	98.74%
2015-16.....	8,364,493,464	19.5779	160,086,202	155,266,376	96.99%	158,266,705	98.86%

⁽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 2016-17 assessed values, are shown on Table 12 which follows. The aggregate assessed value of these ten taxpayers totals approximately 3.74% of total assessed value.

**TABLE 12
WEST CHESTER AREA SCHOOL DISTRICT
TEN LARGEST REAL PROPERTY TAXPAYERS, 2016-17**

<u>Owner</u>	<u>Property</u>	<u>2016-17 Assessed Value</u>
Exton Square Inc	Shopping Mall	\$66,363,880
Arhc Properties	Wellington Senior Living	41,550,000
QVC Realty	Industrial Bldg./TV Shopping	32,132,000
Main Street At Exton LP	Shopping Center	33,282,510
TRC Valley Creek	Business Complex	28,500,000
Pointe Apartments Owner L.P.	Apartment Complex	26,592,000
HCRI Pa Properties Holding ⁽¹⁾	Bellingham Senior Living	26,323,360
Exton Crossing Apartments	Apartment Complex	21,023,480
Whiteland Investors LP	Shopping Center	19,320,000
Hankin Family Limited Partnership	Residential Apartments Complex	17,331,650
Total		\$312,418,880

⁽¹⁾ HCRI Pa Properties Holding filed an appeal of its assessment which was denied by the Board of Assessment Appeals on Oct. 11, 2016. HCRI has appealed the Board's denial to the Court of Common Pleas, which will address the appeal in late 2017. The financial impact of the appeal on the School District is yet to be determined

*As of January 1, 2016.

Other Taxes

Under Act 511, the School District collected \$24,325,967 in taxes in FY 2015-16. 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 \$1,534,367,872.

Real Estate Transfer. The School District levies a tax of 0.5% of the value of real estate transfers. In FY 2015-16 the School District's collected portion of this tax yielded \$4,207,420 of total revenue.

Wage and Income Tax. The School District levies a tax of 0.5% of the earned income of residents. In FY 2015-16 the School District's collected portion of this tax yielded \$20,118,547 of total revenue.

DEBT AND DEBT LIMITS

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

Current Lack of State Appropriations for Debt Service Subsidies

Commonwealth law presently provides that the School District will receive, subject to state legislative appropriation, reimbursement from the Commonwealth for a portion of debt service paid on the Bonds following final approval by the Pennsylvania Department of Education ("DOE"). Commonwealth reimbursement is calculated based on the "Reimbursable Percentage" assigned to the Bonds by the DOE and the School District's permanent Capital Account Reimbursement Fraction ("CARF") (27.54%) or the wealth based Market Value Aid Ratio ("MVAR") currently (10.00%), whichever is higher. The Reimbursable Percentage is determined through a process known as the "Planning and Construction Workbook" or "PlanCon".

Based on the current PlanCon program, School District officials have estimated that the Reimbursable Percentage of the 2017 Bonds will be 0.00% (there has been no determination by the DOE). The School District's CARF (which is higher than the MVAR) is 27.54%. The product of these two factors is 0.00%, which is the estimated percentage of debt service which may be reimbursed by the Commonwealth, subject to annual appropriation. In future years, this percentage may change as the School District's MVAR changes, or as a result of future legislation regarding changes to, or even elimination of, the PlanCon program.

In May of 2016, the Commonwealth enacted appropriation legislation know as Act 25 ("Act 25"), which contains authorization for the Commonwealth Finance Authority ("CFA") to issue up to \$2.5 billion of debt to fund PlanCon reimbursements to school districts. Act 25 also instituted a moratorium on new projects entering the PlanCon process while an advisory committee established under Act 25 considers amendments to the PlanCon reimbursement program. This new moratorium went into effect on May 15, 2016 and is scheduled to expire on June 30, 2017.

On October 31, 2016, CFA issued its Revenue Bonds, Series A of 2016 (Federally Taxable) in the total amount of \$758,185,000 to provide for PlanCon reimbursement owed to all Pennsylvania school districts. It is expected that proceeds of this issue will be used to provide PlanCon reimbursement that is owed to the School District for past and current fiscal years. However, the School District cannot be certain that any future PlanCon reimbursement will be received by PDE as the ability for CFA to issue additional bonds in the future to fund future PlanCon reimbursements owed to school districts may impact the availability of PlanCon reimbursements payable to the School District. Any failure by the Commonwealth to adopt a timely budget and enact necessary spending authorizations could have a material adverse effect upon the School District's anticipated receipt of PlanCon reimbursements.

There can be no assurances that the School District will be able to successfully apply for, be awarded, and receive sufficient PlanCon reimbursement for the costs of the any current or future projects of the School District. A failure by the School District to receive such reimbursement could force the School District to apply other available funds, if any, toward the completion costs of the Project and may have a material adverse effect on the financial resources of the School District to fund other obligations, including payment of debt service on the Bonds.

Legislation has been introduced from time to time in the Pennsylvania legislature containing language that would revise or even abolish the debt service reimbursement program for Pennsylvania school districts. As of the date hereof none of these proposals have been signed into law. To the extent that any future legislation contains material changes to the PlanCon program as currently is structured, the amount of PlanCon reimbursement to the School District may be positively or negatively affected, which could materially impact the amount of local funds needed to be raised by the School District to pay debt service or its debt obligations.

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Debt Statement

Table 13 which follows shows the debt of the West Chester Area School District as of April 27, 2017 and includes the new issuance of the Bonds.

TABLE 13

**WEST CHESTER AREA SCHOOL DISTRICT
DEBT STATEMENT
(As of April 27, 2017)***

NONELECTORAL DEBT	Gross Outstanding
General Obligation Bonds, Series of 2017 (last maturity 2028)	\$7,495,000
General Obligation Bonds, Series AA of 2016 (last maturity 2032)	8,500,000
General Obligation Bonds, Series A of 2016 (last maturity 2027)	32,025,000
General Obligation Bonds, Series of 2016 (last maturity 2024)	13,710,000
General Obligation Bonds, Series AA of 2015 (last maturity 2021)	3,650,000
General Obligation Bonds, Series A of 2015 (last maturity 2032)	9,690,000
General Obligation Bonds, Series of 2015 (last maturity 2017)	1,290,000
General Obligation Bonds, Series AA of 2014 (last maturity 2030)	57,280,000
General Obligation Bonds, Series A of 2014 (last maturity 2024)	30,880,000
General Obligation Bonds, Series of 2014 (last maturity 2032)	12,000,000
General Obligation Bonds, Series of 2013 (last maturity 2020)	3,285,000
General Obligation Bonds, Series AA of 2012 (last maturity 2022)	39,100,000
General Obligation Bonds, Series A of 2012 (last maturity 2032)	21,000,000
General Obligation Bonds, Series AA of 2010 (last maturity 2022)	16,075,000
General Obligation Note, Series of 2009 (last maturity 2027)	<u>9,965,000</u>
<i>NONELECTORAL DEBT</i>	\$265,945,000
 LEASE RENTAL DEBT	
<i>NET LEASE RENTAL DEBT</i>	<u>\$0</u>
 <i>TOTAL NET NONELECTORAL AND LEASE RENTAL DEBT</i>	<u><u>\$265,945,000</u></u>

*Includes the Bonds offered through this Preliminary Official Statement. Excludes the 2011 Bonds being refunded.

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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 \$265,945,000. After adjustment for available funds and estimated Commonwealth aid, the local effort of direct debt will total \$258,373,047.

TABLE 14
WEST CHESTER AREA SCHOOL DISTRICT
OVERLAPPING INDEBTEDNESS AND DEBT RATIOS*
(As of April 27, 2017)*

	Gross	Available Funds
	Outstanding	and Estimated
DIRECT DEBT(1)		Commonwealth Aid⁽²⁾
Nonelectoral Debt	\$265,945,000	\$258,373,047
Lease Rental Debt	0	0
TOTAL DIRECT DEBT	\$265,945,000	\$258,373,047
 OVERLAPPING DEBT		
Chester County, General Obligation ⁽²⁾	\$132,416,503	\$132,416,503
Delaware County, General Obligation ⁽³⁾	98,797,581	98,797,581
Municipal Debt	99,532,324	99,532,324
TOTAL OVERLAPPING DEBT	\$330,746,408	\$330,746,408
 TOTAL DIRECT AND OVERLAPPING DEBT	 \$596,691,408	 \$589,119,455
 DEBT RATIOS		
Per Capita	\$5,502.45	\$5,432.63
Percent 2016-17 Assessed Value	7.10%	7.01%
Percent 2016-17 Market Value	4.67%	4.61%

*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 21.44% share of \$512,700,000 principal outstanding, including self-supporting debt of the County or local municipalities.

⁽³⁾Pro rata 29.77% share of \$314,696,000 principal outstanding, including self-supporting debt of the County or local municipalities.

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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 2013-14	\$206,453,329
Total Revenues for FY 2014-15	213,970,517
Total Revenues for FY 2015-16	220,793,388
<i>Total Revenues, All Three Fiscal Years</i>	<u>\$641,217,234</u>
Annual Arithmetic Average (Borrowing Base)	<u><u>\$213,739,078</u></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 and Lease Rental Debt Limit:			
225% of Borrowing Base.....	\$480,912,925	\$265,945,000	\$214,967,925

*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 of 2017</u>		<u>Subtotal</u>	<u>Total Requirements</u>
		<u>Principal</u>	<u>Interest</u>		
2016-17	\$24,384,681				\$24,384,681
2017-18	24,567,193	\$280,000	\$156,330	\$436,330	25,003,523
2018-19	24,629,035	590,000	141,265	731,265	25,360,300
2019-20	24,586,478	605,000	129,315	734,315	25,320,793
2020-21	24,571,620	615,000	117,115	732,115	25,303,735
2021-22	24,518,103	625,000	104,715	729,715	25,247,818
2022-23	24,354,298	640,000	92,065	732,065	25,086,363
2023-24	23,767,243	660,000	79,065	739,065	24,506,308
2024-25	23,709,410	670,000	65,765	735,765	24,445,175
2025-26	23,709,190	680,000	52,265	732,265	24,441,455
2026-27	23,596,545	700,000	38,465	738,465	24,335,010
2027-28	23,874,675	710,000	23,833	733,833	24,608,508
2028-29	20,436,728	720,000	8,100	728,100	21,164,828
2029-30	20,440,515			0	20,440,515
2030-31	11,697,840			0	11,697,840
2030-32	11,698,965			0	11,698,965
Total	\$363,370,768	\$7,495,000	\$1,008,298	\$8,503,298	\$363,045,814

*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***

Commonwealth Aid Received	\$39,665,177
Debt Service Requirements	\$24,384,681
Maximum Future Debt Service Requirements after Issuance of Bonds	\$25,360,300
Coverage of Debt Service Requirements	1.63X
Coverage of Maximum Future Debt Service Requirements after Issuance of Bonds	1.56X

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

Future Financing

The School District anticipates issuing additional long-term debt of approximately \$30,000,000 within the next three (3) years to fund a continuous capital improvements program.

LABOR RELATIONS

School District Employees

There are approximately 1,396 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 expires June 30, 2018. 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. Employees belonging to the Public School Employees Retirement System ("PSERS") prior to July 22, 1983 contribute 5.25% of their salary, and employees who joined the PSERS on or after July 22, 1983 contribute 6.25% of their salary. On February 17, 2002, Governor Ridge signed Act 9 which created a new membership class that sets the employee contribution rate at 7.50% of the employee's salary for those employees hired on or after July 1, 2001. Act 9 also provides an option for those employees hired prior to July 1, 2001 to elect a contribution rate of 6.50%, if they were hired before July 22, 1983, or 7.50% if they were hired on or after July 22, 1983. Act 120 of 2010 ("Act 120") was passed by the General Assembly on September 1 and signed by Governor Rendell on November 23, 2010. The benefit reductions contained in this legislation, only impacts individuals who become new members of PSERS on or after July 1, 2011. New members have the option of selecting one of 2 new classes. The members selecting class T-E contribute a base rate of 7.5% with "shared risk" contribution levels between 7.5% and 9.5% and a pension multiplier of 2.0%. Members selecting class T-F contribute a base rate of 10.3% with shared risk contribution levels between 10.3% and 12.3% and a pension multiplier of 2.5%.

The PSERS Board of Trustees certified an annual employer contribution rate of 30.03% for fiscal year 2016-17, which commenced on July 1, 2016. The 30.03% employer contribution rate was composed of 0.83% for health insurance premium assistance and a pension rate of 29.20%. On December 7, 2016 the Board of Trustees certified an annual employer contribution rate of 32.57% for fiscal year 2017-18, which begins July 1, 2017.

The Commonwealth reimburses school employers for not less than 50% of the total employer contribution rate. Contributions for the School District are as follows:

2011-12	\$7,377,780
2012-13	10,336,175
2013-14	14,359,550
2014-15	18,609,908
2015-16	22,726,052
2016-17 (budgeted)	27,487,130

PSERS is also funded through investment earnings and mandatory member contributions. 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 7.54% of their salary to fund their retirement benefit in fiscal year 2017-18. Member contributions of approximately \$1 billion are expected in fiscal year 2017-18.

In June 2012, the Government Accounting Standards Board ("GASB") issued "Statement No. 68 Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No 27." The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. The new accounting standard will require the School District to report in its government-wide financial statements its proportionate share of the new pension liability of the pension systems to which it contributes. GASB 68 is effective for fiscal years beginning after June 15, 2014, which, in the case of the School District will begin with fiscal year ending June 30, 2015. Please see the School District's Audited Financial Statements for fiscal year ending June 30, 2016 in Appendix E for the net effects of the implementation of GASB 68.

⁽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 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 Service Support personnel, the teachers, and the administrators. In addition, the non-bargaining staff members participate in the plan. Members of the Education support personnel and the Service Support personnel who were at least 50 years old as of 7/1/2012 and had 20 years of service receive a Health Reimbursement Account of \$2,000 per year towards single employer health benefit coverage for a maximum of four years. Teachers hired before 7/1/2003 that reach age 50 with 15 years of service in the School District are eligible to receive single plan post-retirement benefits at the same level as current employees. Teachers hired before 7/1/2003 are eligible to receive a Health Reimbursement Account of \$20,000 towards single employer health benefit coverage. Administrators that reach age 50 with 12 years of service receive benefits for administrator and spouse for 10 years or until Medicare eligible. Administrators receiving this benefit are required to cost-share for administrator coverage at a rate equal to the higher of the maximum reimbursement provided by PSERS (currently \$100 per month) or active employee contribution and 50% of the cost of the spousal coverage cost. Non-bargaining employees receive the same coverage as administrators with no spousal coverage. The employee must retire from service to receive the post-employee benefits and not work for another school district.

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

OPEB Funding Policy

As of July 1, 2014, the most recent valuation, the School District has no segregated assets to fund this liability. It is the intention of the School District to pay the premium each year as it comes due.

OPEB 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]
7/1/2014	\$ -	\$13,296,649	\$13,296,649	0.00%	\$83,546,655	15.92%
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%

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

OPEB Actuarial Methods and Assumptions

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

- Interest – 4.5% compounded annually net of investment expenses
- Amortization method – Level dollar method at the valuation interest rate
- Amortization period – 30 years
- Salary increases – 2.5% cost of living + merit 0.25% to 2.75% per year
- Actuarial valuation cost method – Entry age normal

Annual OPEB Cost and Net OPEB Obligations

The School District's annual OPEB cost (expense) is calculated based on the annual required contribution ("ARC") of the employer. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the School 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	\$ 504,701
Amortization of unfunded actuarial accrued liability	1,354,852
Interest on net OPEB Obligation	13,208
Funding Adjustment	(29,908)
ANNUAL OPEB COST	\$1,842,853
Net OPEB Obligation (Asset):	
Net OPEB Obligation July 1, 2015	\$ 293,516
OPEB Cost for the year ended June 30, 2016	1,842,853
Contributions for year ended June 30, 2016	(1,730,198)
NET OPEB OBLIGATION (ASSET)	\$ 406,171

Source: 2016 Audit 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 on the Date of Delivery, certifying that there is no litigation pending which challenges the validity or enforceability 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 (contests) in the Court of Common Pleas of Chester or 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% 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

Bond Counsel Opinion

The information which follows is a summary of Bond Counsel's opinion. This summary does not purport and should not be construed to be a complete recitation of Bond Counsel's opinion. A draft of the full text of Bond Counsel's opinion is appended hereto in Appendix B.

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 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, in accordance with a Continuing Disclosure Certificate, to be signed by the School District, 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 defeasance, 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>.

Continuing Disclosure Filing History

The School District has entered into prior undertakings to provide information pursuant to previous continuing disclosure certificates for other 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]
6/30/2012	12/27/2012	12/06/2012 ^[3]	EP588966	12/06/2012	EP588966	9/19/2014	EP664194
6/30/2013	12/27/2013	12/18/2013	ER594251	12/18/2013 ^[4]	ER594251	9/19/2014	EP664196
6/30/2014	12/27/2014	12/16/2014	EP674031	12/16/2014	EP674036	12/16/2014	EP674039
6/30/2015	12/27/2015	12/10/2015	EP709068	12/10/2015	EP709080	12/10/2015	EP709075
6/30/2016	12/27/2016	12/12/2016	ES786315	12/12/2016	ES786317	12/12/2016	ES786316

Notes:

^[1] For these purposes, assumes the shortest filing deadline of the School District's previous Continuing Disclosure Agreements in effect during the past five years.

^[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] Interim filing of the PDE-2057 Annual Financial Report. The Audited Financial Statements were filed on July 8, 2013, EMMA ID #EA466432.

^[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, as well as "Failure to Timely File Annual Information" notices to the MSRB's EMMA System. The District recently filed a clarification filing detailing the instances of the past filing failures, and, where appropriate, filed Failure to Timely File Notices. For its fiscal year June 30, 2012, the School District failed to file its Audited Financial Statements in a timely manner; however, it did timely file its PDE-2057 Annual Financial Report for the fiscal year ending June 30, 2012. For fiscal years June 30, 2012 through and including June 30, 2013, the School District failed to file its specified operating data in a timely manner.

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 whose ratings by both S&P and Moody's changed during that period. 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 such 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 omissions with respect to these filings, the School District acted to bring its continuing disclosure information current, and disclose 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 intended to maintain future compliance, the School District has adopted steps intended to facilitate future compliance with its Continuing Disclosure Certificates. These procedures 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 filing and event information with the School District's financial advisor.

A member of the School District's Director of Business Affairs has been designated as 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 with 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 separately.

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 \$7,522,978.90, equal to the par value of the Bonds less an underwriters' discount of \$69,103.90, plus net original issue premium of \$97,082.80.

LEGAL OPINIONS

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.

Neither the Bond Counsel nor the Solicitor has been engaged to verify, and has not independently verified, the accuracy, completeness or truthfulness of any statements, certifications or financial information set forth in this Official Statement, or otherwise used in connection with the offer and sale of the Bonds set forth in or delivered by the School District officials, except where specifically referred to. They express no opinion with respect to whether the School District in connection with the sale of the Bonds or preparation of this Official Statement has made any untrue statement of a material fact necessary in order to make any statement made therein not misleading.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgement of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorneys do not become an insurer or guarantor of that expression of professional judgement of the transaction opined upon, or the future performance of the parties to the transaction. Nor does rendering a legal opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

FINANCIAL ADVISOR

The School District has retained PFM Financial Advisors LLC, 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. PFM Financial Advisors LLC 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 PFM Financial Advisors LLC, 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/ Chris McCune
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>	Compound Average Annual Percentage Change 2000-2010
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</u> <u>Years</u>	<u>65+</u> <u>Years</u>	Persons Per Household
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:	
	Jan. 2017	June 2016	June 2015	June 2014	June 2015	June 2014
TOTAL NONFARM	1,041,300	1,070,500	1,046,600	1,033,200	(5,300)	8,100
TOTAL PRIVATE	958,600	986,100	963,600	949,600	(5,000)	9,000
GOODS-PRODUCING	137,600	145,800	142,800	140,300	(5,200)	(2,700)
Mining, Logging and Construction	49,000	52,900	52,500	49,300	(3,500)	(300)
Manufacturing	88,600	92,900	90,300	91,000	(1,700)	(2,400)
Durable Goods	45,200	48,100	45,400	47,100	(200)	(1,900)
Non-Durable Goods	43,400	44,800	44,900	43,900	(1,500)	(500)
Chemical mfg.	19,200	19,700	19,200	18,900	0	300
SERVICE-PROVIDING	903,700	924,700	903,800	892,900	(100)	10,800
PRIVATE SERVICE-PROVIDING	821,000	840,300	820,800	809,300	200	11,700
Trade, Transportation, and Utilities	204,200	208,400	210,100	206,200	(5,900)	(2,000)
Wholesale trade	56,000	58,600	59,700	58,700	(3,700)	(2,700)
Retail trade	121,000	121,800	122,600	120,900	(1,600)	100
General merchandise stores	19,900	18,400	17,500	17,800	2,400	2,100
Transportation, Warehousing and Utilities	27,200	28,000	27,800	26,600	(600)	600
Information	21,300	21,300	20,400	20,900	900	400
Financial Activities	79,800	78,800	77,900	77,200	1,900	2,600
Finance and Insurance	65,400	64,300	64,300	63,300	1,100	2,100
Credit intermediation and related activities	16,700	16,000	15,200	15,600	1,500	1,100
Depository credit intermediation	9,800	9,800	9,900	10,000	(100)	(200)
Insurance carriers and related activities	26,400	27,300	26,300	26,500	100	(100)
Real estate and rental and leasing	14,400	14,500	13,600	13,900	800	500
Professional and Business Services	198,900	208,000	194,600	196,000	4,300	2,900
Professional and technical services	110,100	107,900	100,000	102,400	10,100	7,700
Scientific research and development services	16,500	16,400	14,700	14,400	1,800	2,100
Management of companies and enterprises	26,400	27,900	26,800	26,700	(400)	(300)
Administrative and waste services	62,400	72,200	67,800	66,900	(5,400)	(4,500)
Education and Health Services	188,700	180,500	179,600	172,600	9,100	16,100
Educational services	26,400	24,000	24,100	23,900	2,300	2,500
Health care and social assistance	162,300	156,500	155,500	148,700	6,800	13,600
Ambulatory health care services	60,400	59,000	56,700	53,600	3,700	6,800
Hospitals	32,100	31,800	31,900	31,200	200	900
Nursing and residential care facilities	37,700	37,500	38,100	37,000	(400)	700
Social assistance	32,100	28,200	28,800	26,900	3,300	5,200
Leisure and Hospitality	80,500	95,900	91,200	88,300	(10,700)	(7,800)
Accommodation and food services	67,800	74,000	69,800	68,200	(2,000)	(400)
Other Services	47,600	47,400	47,000	48,100	600	(500)
Government	82,700	84,400	83,000	83,600	(300)	(900)
Federal Government	6,200	6,200	6,000	5,900	200	300
State Government	9,900	9,900	8,800	8,600	1,100	1,300
Local Government	66,600	68,300	68,200	69,100	(1,600)	(2,500)
Local government educational services	46,100	47,600	47,900	48,000	(1,800)	(1,900)
Local government excluding educational services	20,500	20,700	20,300	21,100	200	(600)

Data benchmarked to March 2015

Data changes of 100 may be due to rounding

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

**Chester County
Top 25 Employers
3rd Quarter 2016
Initial Data**

Federal and State Government Entities Aggregated

1	VANGUARD GROUP INC
2	QVC NETWORK INC
3	COUNTY OF CHESTER
4	FEDERAL GOVERNMENT
5	THE CHESTER COUNTY HOSPITAL
6	MAIN LINE HOSPITALS INC
7	CERNER HEALTH SERVICES INC
8	GIANT FOOD STORES LLC
9	PA STATE SYSTEM OF HIGHER EDUCATION
10	THE DEVEREUX FOUNDATION
11	DOWNINGTOWN AREA SCHOOL DISTRICT
12	YMCA OF GREATER BRANDYWINE VALLEY
13	WEST CHESTER AREA SCHOOL DISTRICT
14	CHESTER COUNTY INTERMEDIATE
15	WAWA INC
16	JANSSEN RESEARCH & DEVELOPMENT LLC
17	WAL-MART ASSOCIATES INC
18	STATE GOVERNMENT*
19	COMCAST CABLEVISION CORP(PA)
20	UNITED PARCEL SERVICE INC
21	ACME MARKETS INC
22	GEORGE KRAPF JR & SONS INC
23	WEGMANS FOOD MARKETS INC
24	COMMUNICATIONS TEST DESIGN INC.
25	TREDYFFRIN EASTTOWN SCHOOL DISTRICT

*State Government includes all state employment except Pennsylvania State University, SEPTA, System of Higher Education, PA College of Technology, and PHEAA.

Source: Center for Workforce Information & Analysis

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>
2011	266,600	250,100	16,500	6.20%
2012	270,300	253,600	16,700	6.20%
2013	271,800	256,000	15,800	5.80%
2014	272,300	261,000	11,200	4.10%
2015	276,400	266,200	10,200	3.70%
Jan. 2017	276,400	266,400	10,100	3.60%

Pennsylvania				
<u>Time Period</u>	<u>Labor Force</u>	<u>Employed</u>	<u>Unemployed</u>	<u>Unemployment Rate</u>
2011	6,397,000	5,885,000	512,000	8.00%
2012	6,466,000	5,954,000	513,000	7.90%
2013	6,460,000	5,982,000	478,000	7.40%
2014	6,352,000	6,033,000	319,000	5.00%
2015	6,424,000	6,094,000	330,000	5.10%
Jan. 2017	6,380,000	6,042,000	338,000	5.30%

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 2012-2016 period for the County, the PMSA and the Commonwealth.

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Chester County	\$ 12,210,801	\$ 8,705,297	\$ 12,708,571	\$ 12,869,709	\$ 11,499,691
PMSA	94,890,513	89,309,763	91,259,939	92,944,956	96,525,422
Pennsylvania.....	188,149,727	187,412,600	199,975,257	198,215,135	207,887,941

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 2017 was \$325,000, as compared with Chester County as a whole of \$299,000, 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: Residential 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.

Water: Aqua Pennsylvania, Inc. and other private water companies supply water service to the Borough and developed portions of the surrounding 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.

Cable: Verizon and Comcast supplies cable, including internet and 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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[Date of Delivery]

**Re: WEST CHESTER AREA SCHOOL DISTRICT,
Chester and Delaware Counties, Pennsylvania
\$7,495,000 Aggregate Principal Amount of
General Obligation Bonds, Series of 2017**

OPINION

We have acted as Bond Counsel in connection with the issuance of the General Obligation Bonds, Series of 2017, in the aggregate principal amount of Seven Million Four Hundred Ninety-five Thousand Dollars (\$7,495,000) (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 will be used to currently refund the School District’s outstanding General Obligation Bonds, Series of 2011, and pay the costs 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
\$7,495,000 Aggregate Principal Amount
General Obligation Bonds, Series of 2017
Dated [Date of Delivery]

[Date of Delivery]

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 of 2017 (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 (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, 2018, 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, 2016

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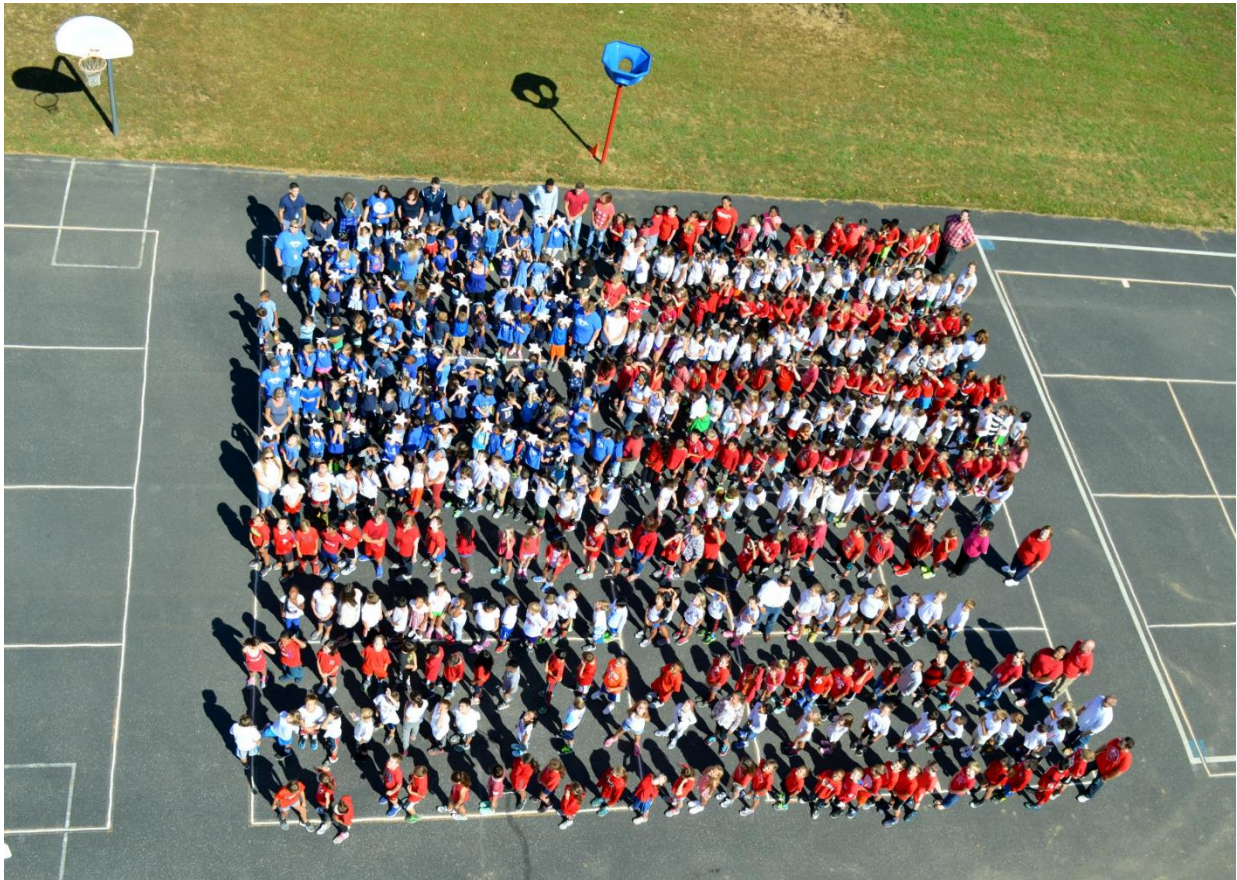


WEST CHESTER AREA SCHOOL DISTRICT

Inspiring students to achieve their personal best

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2016



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



WEST CHESTER AREA SCHOOL DISTRICT

Inspiring students to achieve their personal best

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**
For the Fiscal Year Ended
June 30, 2016



Prepared by the
West Chester Area School District
Business Office

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

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

WEST CHESTER AREA SCHOOL DISTRICT

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WEST CHESTER AREA SCHOOL DISTRICT

INTRODUCTORY SECTION





WEST CHESTER AREA SCHOOL DISTRICT

Inspiring students to achieve their personal best

December 6, 2016

Dear Community Member,

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the West Chester Area School District for the fiscal year ended June 30, 2016. This District's Business Office prepared this report.

The CAFR is published to present complete and accurate financial information on all the funds and financial activities of the District for the 2015-2016 fiscal year. The Business Office staff and management are responsible for the accuracy of the statements, notes, schedules and statistical tables. We believe that the information in the report is a fair presentation of the financial position and the results of operations of the District based upon a comprehensive framework of internal controls that have been established for this purpose. The report is prepared in accordance with generally accepted accounting and financial reporting principles applicable to governmental entities in the United States of America. Most importantly, this report will provide the reader with a comprehensive understanding of the District's financial affairs.

The Management's Discussion and Analysis (MD&A), which follows the independent auditor's report, provides an overview of the District's financial performance during the fiscal year ended June 30, 2016. It should be read in conjunction with this transmittal letter and the District's basic financial statements.

Reporting Entity

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

Profile of the District

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

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

The purpose of the District is to provide an education system for Kindergarten through 12th grade, including regular instruction, special instruction, vocational education and support services to the approximately 15,700 students that live within the District boundaries. To accomplish this goal, the District operates ten (10) elementary schools, three (3) middle schools and three (3) high schools. Additionally, the District is required to pay the tuition for the 717 children that live within the District boundaries that attend charter schools. During the year ended June 30, 2016, the District paid \$9,455,098 in tuition to charter schools.

Budget Process

The Board considers preparation of an annual budget to be one of its most important responsibilities because the budget is the financial reflection of the District's educational plan. The budget shall be designed to carry out that plan in a thorough and efficient manner, to maintain the facilities and to honor District obligations. Budget planning for the District is an integral part of program planning so that the annual operating budget may effectively express and implement all programs and activities of the District. Budget planning is a year-round process involving active participation by administrators, Board members, and appropriate District personnel.

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

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

Internal Controls

The objective of a system of internal controls is to provide reasonable, but not absolute, assurance that the District assets are properly protected and to ensure that financial transactions, which are relied on in the preparation of financial reports, are accurately recorded. The concept of reasonable assurance recognizes that the cost of the system of internal controls should not exceed the benefits likely to be realized and that the valuation

of costs and benefits requires estimates and judgments by management. The District has established policies and procedures to effectively implement and maintain a system of internal accounting controls. Management and independent auditors continually evaluate these policies and procedures to ensure the adequacy and effectiveness of the internal control structure.

Economic Condition and Outlook

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

That having been said, the District has been impacted by a number of factors. In 2006, the Pennsylvania General Assembly passed into law Special Session Act 1 of 2006. This law restricted the amount that School Districts can raise property taxes to within a cost of living index. Any property tax increases above this cost of living index needs to be approved by voter referendum. In 2015-2016, the index allowed for a 1.9% increase. The School Board opted to increase property taxes by the index and the tax rate in Chester County increased from 19.21 mills to 19.5779 mills.

As the District continues to navigate under the budgetary constraints of Act 1 funding restrictions, other school districts throughout Pennsylvania incurred a number of unfavorable budgetary impacts. The Pennsylvania economy, which has a direct effect on the District's earned income tax and other local revenues, has seen a slight growth over the past few years. The District pension program, which is administered by the State, announced substantial increases in pension rates through the 2016-2017 fiscal year and will then start to level off for the 2017-2018 fiscal year. The District contribution rate will increase from the 2015-2016 contribution rate of 25.84% to the projected rate of 32.04% in 2017-2018. Both federal and state revenues remain relatively flat over the past few years and the District anticipates minimal increases in the upcoming years.

As a result of the above noted economic conditions, the District's Comprehensive Plan has incorporated a financial goal funding priorities based on fiscal realities. Part of the goal requires the District to control debt spending and fund balance limits. The District continues to closely monitor economic indicators that will impact the next few budget cycles.

Long-term Financial Planning and Financial Policies

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

Major Initiatives

The District is in the middle of a multiyear elementary school renovation project. The most recent elementary school master plan projects renovating all of the District's ten (10) elementary schools between 2011-2012 and 2025-2026. In 2015-2016, the District completed a majority of the renovations at Fern Hill Elementary School and has completed phase I of the renovations at Exton Elementary School. The original construction and renovation of the District buildings is included in the statistical section of the CAFR under operating information.

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

The District will be implementing a full-day Kindergarten program for the start of the 2017-2018 school year. The full-day Kindergarten program will provide for increased instructional time for our youngest learners, which will allow them the time needed to master critical literacy and math concepts that form the foundation for their academic success.

Independent Audit

The District engages an independent certified public accounting firm to audit the District's annual financial statements. Barbacane, Thornton & Company LLP, Certified Public Accountants, have audited the District's financial statements for the year ended June 30, 2016, and have issued unmodified opinions on the West Chester Area School District's financial statements. Their report is located at the beginning of the Financial Section of the CAFR and complies with applicable guidelines.

Awards

The Association of School Business Officials International (ASBO) awarded the Certificate of Excellence (COE) in Financial Reporting to the West Chester Area School District for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2015. This award confirms the school business officials' commitment to financial accountability and transparency. Recognition through the COE program can help strengthen a district's presentation for bond issuance statements and promotes a high level of excellence in financial reporting.

Acknowledgements

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

Respectfully,

A handwritten signature in black ink, appearing to read "John Scully". The signature is written in a cursive, flowing style.

John Scully
Director of Business Affairs

WEST CHESTER AREA SCHOOL DISTRICT

2015-2016 School Board Members

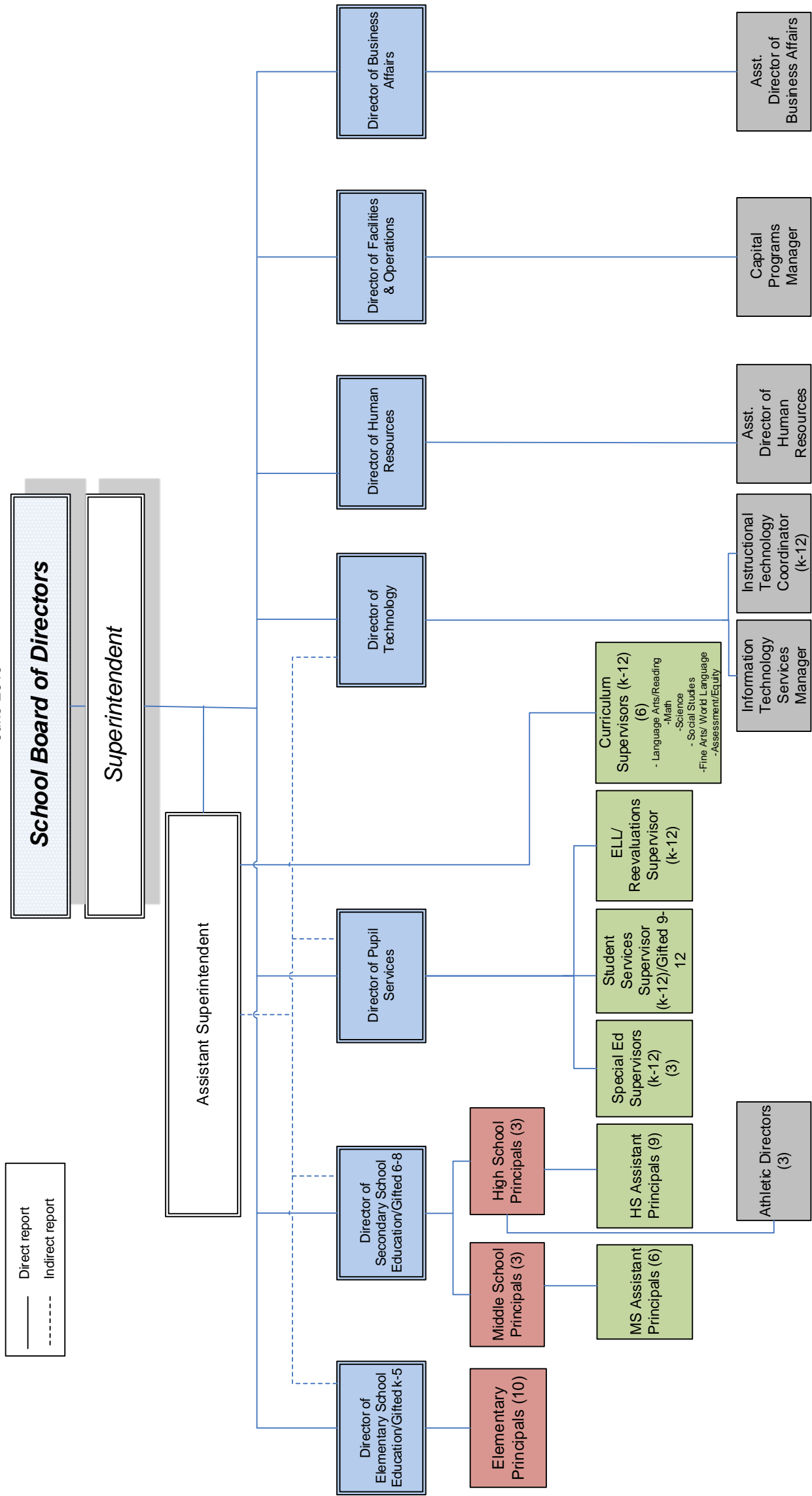
Dr. Ricky Swalm	School Board President
Sue Tiernan	School Board Vice President
Gary Bevilacqua	Member
Joyce Chester	Member
Karen Herrmann	Member
Robin Kaliner	Member
Chris McCune	Member
Vincent Murphy	Member
Kate Shaw	Member

District Administrators

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

West Chester Area School District Management Team

June 2015



— Direct report
- - - Indirect report



ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

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

WEST CHESTER AREA SCHOOL DISTRICT

**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2015.**

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



Brenda Burkett

Brenda R. Burkett, CPA, CSBA, SFO
President

John D. Musso

John D. Musso, CAE, RSBA
Executive Director

WEST CHESTER AREA SCHOOL DISTRICT

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

December 6, 2016

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 the West Chester Area School District ("the District"), West Chester, Pennsylvania, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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

Board of School Directors
West Chester Area School District

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 the West Chester Area School District, West Chester, Pennsylvania, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison schedule for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the District has adopted the requirements of GASB Statement No. 72, "Fair Value Measurement and Application." This statement addresses accounting and financial reporting issues related to fair value measurements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 13 through 24, the schedule of the District's proportionate share of the net pension liability on page 64 and the schedule of District contributions on page 65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, statistical section, and combining statement of changes in assets and liabilities – all agency funds are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.


BARBACANE, THORNTON & COMPANY LLP

**WEST CHESTER AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
JUNE 30, 2016**

INTRODUCTION

The discussion and analysis of the financial performance of the West Chester Area School District ("the District") provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers also should review the financial statements and the notes to the financial statements to enhance their understanding of the District's financial performance.

DISTRICT MISSION STATEMENT

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

DISTRICT PROFILE

The District consists of ten elementary schools, three middle schools, and three high schools, serving 11,474 students. The District serves a 75 square-mile suburban, urban, and rural area in Chester County, Pennsylvania and is comprised of West Chester Borough and the surrounding townships of East Goshen, West Goshen, East Bradford, West Whiteland, Westtown, and Thornbury in Chester County, and Thornbury Township in Delaware County. During 2015-2016, there were nearly 1,000 professional staff, of which over 76 percent held a master's degree or higher. Seven of the District's schools have been awarded as Blue Ribbon Schools by the U.S. Department of Education. All three West Chester Area School District high schools are: ranked in the top 20 out of 676 high schools in Pennsylvania by SchoolDigger.com, on Newsweek's top 500 public high schools in the nation for 2015, and PIAA District and State Qualifiers in multiple sports.

FINANCIAL HIGHLIGHTS

- The largest District revenue stream is local property tax. In 2015-2016, the School Board raised property taxes 1.9 percent, or 0.3679 mills. The taxpayers in Chester County were assessed for property taxes at 19.5779 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 slight increase in tax rate from 13.65 mills in 2014-2015 to 13.9059 mills in 2015-2016.
- The Statement of Net Position reflects the actuarially determined net pension liability of \$293,071,000, deferred outflows of resources of \$31,150,942 comprising contributions made by the District made after the measurement date of June 30, 2015, contributions made in excess of the required contribution made in the year of the measurement date and changes in the District's proportionate share of the net pension liability, and deferred inflows of resources of \$1,803,000 comprised of investment returns on pension assets over projected returns and differences between the actuarially expected and actual experience to be recognized as a future reduction in pension expense, and a decrease in the liability until fully recognized.

WEST CHESTER AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
JUNE 30, 2016

- On an entity-wide basis, the District's total net position was negative \$195,483,012 at June 30, 2016. This represented a decrease of 2.96 percent from the prior year.
- On a fund-level reporting basis, compared to the prior year, the District's General Fund total revenues, excluding other financing sources, increased 3.18 percent, or \$6,802,384. This increase was driven by property tax revenue growth.
- On a fund-level reporting basis, compared to the prior year, the District's General Fund expenditures increased \$7,607,313, or 3.7 percent. The driving factor in this increase was the rising cost of employee benefits. The District's pension contributions increased 25.3 percent, or \$5,560,592.

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.

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, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

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

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

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

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

- **Governmental Activities** – All of the District's basic services are included here, such as instruction, administration, and community services. Property taxes and state and federal subsidies and grants finance most of these activities.

WEST CHESTER AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
JUNE 30, 2016

- **Business-type Activities** – The District operates a food service operation and charges fees to staff and students to cover the costs of the food service operation.

Fund Level Financial Statements

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

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

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

WEST CHESTER AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
JUNE 30, 2016

FINANCIAL ANALYSIS OF THE DISTRICT – ENTITY-WIDE STATEMENTS

The District's total net position was negative \$195,483,012 at June 30, 2016. This represents a decrease of \$5,626,477 over the prior year. The table below presents condensed financial information for the net position of the District as of June 30, 2016 and 2015.

Statement of Net Position
June 30, 2016 and 2015

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
ASSETS:						
Current and other assets	\$ 84,611,031	\$ 80,161,062	\$ 1,399,164	\$ 1,487,897	\$ 86,010,195	\$ 81,648,959
Capital assets	<u>293,539,312</u>	<u>302,836,438</u>	<u>402,386</u>	<u>297,638</u>	<u>293,941,698</u>	<u>303,134,076</u>
TOTAL ASSETS	<u>378,150,343</u>	<u>382,997,500</u>	<u>1,801,550</u>	<u>1,785,535</u>	<u>379,951,893</u>	<u>384,783,035</u>
Deferred outflows of resources	<u>38,701,523</u>	<u>30,863,176</u>	-	-	<u>38,701,523</u>	<u>30,863,176</u>
LIABILITIES:						
Current liabilities	40,823,380	41,284,405	356,595	377,358	41,179,975	41,661,763
Long-term liabilities	<u>571,153,453</u>	<u>545,083,983</u>	-	-	<u>571,153,453</u>	<u>545,083,983</u>
TOTAL LIABILITIES	<u>611,976,833</u>	<u>586,368,388</u>	<u>356,595</u>	<u>377,358</u>	<u>612,333,428</u>	<u>586,745,746</u>
Deferred inflows of resources	<u>1,803,000</u>	<u>18,757,000</u>	-	-	<u>1,803,000</u>	<u>18,757,000</u>
NET POSITION (DEFICIT):						
Net investment in capital assets	11,063,839	20,989,220	402,386	297,638	11,466,225	21,286,858
Restricted	27,440,218	22,203,300	-	-	27,440,218	22,203,300
Unrestricted (deficit)	<u>(235,432,024)</u>	<u>(234,457,232)</u>	<u>1,042,569</u>	<u>1,110,539</u>	<u>(234,389,455)</u>	<u>(233,346,693)</u>
TOTAL NET POSITION (DEFICIT)	<u>\$(196,927,967)</u>	<u>\$(191,264,712)</u>	<u>\$ 1,444,955</u>	<u>\$ 1,408,177</u>	<u>\$(195,483,012)</u>	<u>\$(189,856,535)</u>

The governmental activities restricted net position in the amount of \$27,440,218 is set aside to fund capital improvements, the replacement of and additions to public works, and deferred maintenance. The total unrestricted net position in the amount of negative \$234,389,455 included \$1,042,569, which could be used for capital and other expenses within the District's food service program.

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.

WEST CHESTER AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
JUNE 30, 2016

The table below presents condensed financial information for the Statement of Activities in a different format so that the reader can see the total revenues for the year. Compared to the prior year, the District's total revenues increased by \$6,661,969, or 3.1 percent. The largest change in revenue occurred in property taxes. Property taxes increased \$4,060,598, or 2.7 percent. The balance of the revenue growth came from increases in operating grants and contributions.

Expenses increased by \$14,011,163, or 6.5 percent. The largest drivers of this increase were instruction and administrative/financial support spending.

Statement of Activities
For the Years Ended June 30, 2016 and 2015

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
REVENUES						
Program revenues:						
Charges for services	\$ 1,375,344	\$ 1,133,400	\$2,293,122	\$2,335,418	\$ 3,668,466	\$ 3,468,818
Operating grants and contributions	27,743,196	26,309,774	973,508	940,701	28,716,704	27,250,475
General revenues:						
Property taxes	155,710,300	151,649,702	-	-	155,710,300	151,649,702
Other taxes	24,321,396	23,565,368	-	-	24,321,396	23,565,368
Grants, subsidies, and contributions not restricted	10,928,639	10,859,971	-	-	10,928,639	10,859,971
Other revenue	571,431	459,133	-	1,500	571,431	460,633
TOTAL REVENUES	<u>220,650,306</u>	<u>213,977,348</u>	<u>3,266,630</u>	<u>3,277,619</u>	<u>223,916,936</u>	<u>217,254,967</u>
EXPENSES						
Instruction	144,772,158	133,218,154	-	-	144,772,158	133,218,154
Instructional student support	17,710,876	16,718,808	-	-	17,710,876	16,718,808
Administrative/financial support	18,127,334	17,552,768	-	-	18,127,334	17,552,768
Operation and maintenance of plant services	17,439,654	17,447,190	-	-	17,439,654	17,447,190
Pupil transportation	14,042,517	13,850,307	-	-	14,042,517	13,850,307
Student activities	5,132,865	4,855,516	-	-	5,132,865	4,855,516
Community services	142,350	140,742	-	-	142,350	140,742
Interest on long-term debt	8,945,807	8,566,732	-	-	8,945,807	8,566,732
Food service	-	-	3,229,852	3,182,033	3,229,852	3,182,033
TOTAL EXPENSES	<u>226,313,561</u>	<u>212,350,217</u>	<u>3,229,852</u>	<u>3,182,033</u>	<u>229,543,413</u>	<u>215,532,250</u>
CHANGE IN NET POSITION	(5,663,255)	1,627,131	36,778	95,586	(5,626,477)	1,722,717
NET POSITION (DEFICIT), BEGINNING OF YEAR	<u>(191,264,712)</u>	<u>(192,891,843)</u>	<u>1,408,177</u>	<u>1,312,591</u>	<u>(189,856,535)</u>	<u>(191,579,252)</u>
NET POSITION (DEFICIT), END OF YEAR	<u>\$ (196,927,967)</u>	<u>\$ (191,264,712)</u>	<u>\$1,444,955</u>	<u>\$1,408,177</u>	<u>\$ (195,483,012)</u>	<u>\$ (189,856,535)</u>

WEST CHESTER AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
JUNE 30, 2016

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 \$12,219,310, or 7.0 percent more than the prior year. The table for business-type activity reflects condensed financial activities of the food service program, the only business-type activity of the District.

	Total Cost of Services		Net Cost of Services	
	2016	2015	2016	2015
<u>GOVERNMENTAL ACTIVITIES</u>				
Instruction	\$ 144,772,158	\$ 133,218,154	\$ 125,305,348	\$ 116,004,704
Instructional student support	17,710,876	16,718,808	15,625,212	14,688,320
Administrative and financial support	18,127,334	17,552,768	16,671,133	16,317,417
Operation and maintenance of plant	17,439,654	17,447,190	15,917,789	16,139,137
Pupil transportation	14,042,517	13,850,307	10,335,388	10,183,760
Student activities	5,132,865	4,855,516	4,252,133	4,048,074
Community services	142,350	140,742	142,211	140,605
Interest on long-term debt	8,945,807	8,566,732	8,945,807	7,385,026
TOTAL GOVERNMENTAL ACTIVITIES	\$ 226,313,561	\$ 212,350,217	\$ 197,195,021	184,907,043
Less: Unrestricted grants and subsidies			(10,928,639)	(10,859,971)
TOTAL NEEDS FROM OTHER REVENUE SOURCES			\$ 186,266,382	\$ 174,047,072
	Total Cost of Services		Net Revenue of Services	
	2016	2015	2016	2015
<u>BUSINESS-TYPE ACTIVITIES</u>				
Food service	\$ 3,229,852	\$ 3,182,033	\$ (36,778)	\$ (94,086)

THE DISTRICT FUNDS

General Fund

At June 30, 2016, the District reported a General Fund fund balance of \$28,760,978, which represents 13.4 percent of total expenditures and was a decrease of \$2,904,581 over the prior year. Of this amount, the District committed \$4,159,909 for the purpose of healthcare rate stabilization. Due to the nature of self-insuring health insurance claims, the District experiences volatility in annual health insurance costs. To smooth these expenditures, the District established a health insurance rate stabilization fund and decreased this commitment by \$739,533 to bring the balance of the commitment to \$4,159,909. The District continued its commitment of \$2,117,000 for PSERS costs.

WEST CHESTER AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
JUNE 30, 2016

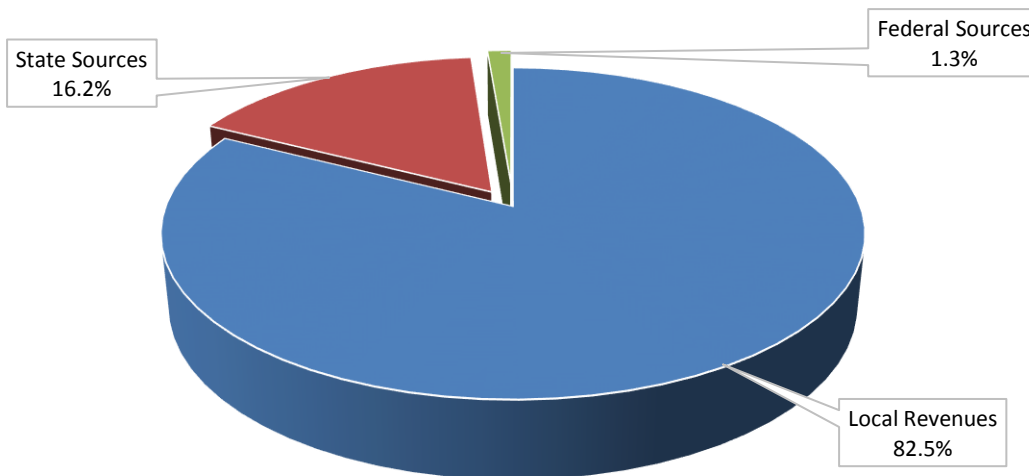
Lastly, the District assigned \$5,471,005 of the fund balance towards tax rate stabilization. These funds will be used to offset the 2016-2017 budget gaps and reduce the need for future tax increases. The School Board of West Chester Area School District manages the fund balance to respond to unforeseen 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 \$89,487 is assigned for athletic activities.

REVENUE

General Fund Revenues, excluding other financing sources, total \$220,756,528, 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 Revenues 2016	Percentage of Total	Increase/ (Decrease) from 2015	Variance Over/(Under) Final Budget
Local revenues	\$182,084,694	82.5%	\$ 5,300,296	\$ 867,553
State sources	35,806,499	16.2%	1,596,573	(847,109)
Federal sources	2,865,335	1.3%	(94,485)	185,004
TOTAL	<u>\$220,756,528</u>	<u>100.0%</u>	<u>\$ 6,802,384</u>	<u>\$ 205,448</u>

2015-2016 General Fund Revenues



WEST CHESTER AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
JUNE 30, 2016

Local revenues increased by \$5,300,296, which can be primarily attributed to a number of factors. The District's real estate tax revenues increased \$4,481,327 from the prior year due to a 1.9 percent, or 0.3679 mill, increase in the tax rate. Additionally, earned income taxes increased \$758,533, receipts from other local education agency increased by \$172,089, earnings on investment increased \$166,719, and real estate transfer tax increased by \$62,210. The increases were offset by a decrease in delinquent real estate tax collection of \$245,684 and decreases in other miscellaneous revenues of \$94,898.

The increase in State revenues is due largely 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 contribution rate caused both an increase in the annual pension costs as well as an increase of \$2,060,974 in the related retirement subsidy reimbursement. The District did not receive bond rental subsidy for the 2015-2016 year. This is a decrease from the prior year of \$1,181,706. This decrease is offset by an increase in both basic instructional subsidy and special education subsidy of \$333,538 and \$388,215, respectively. Other miscellaneous state revenues decreased by \$4,448 from the prior year.

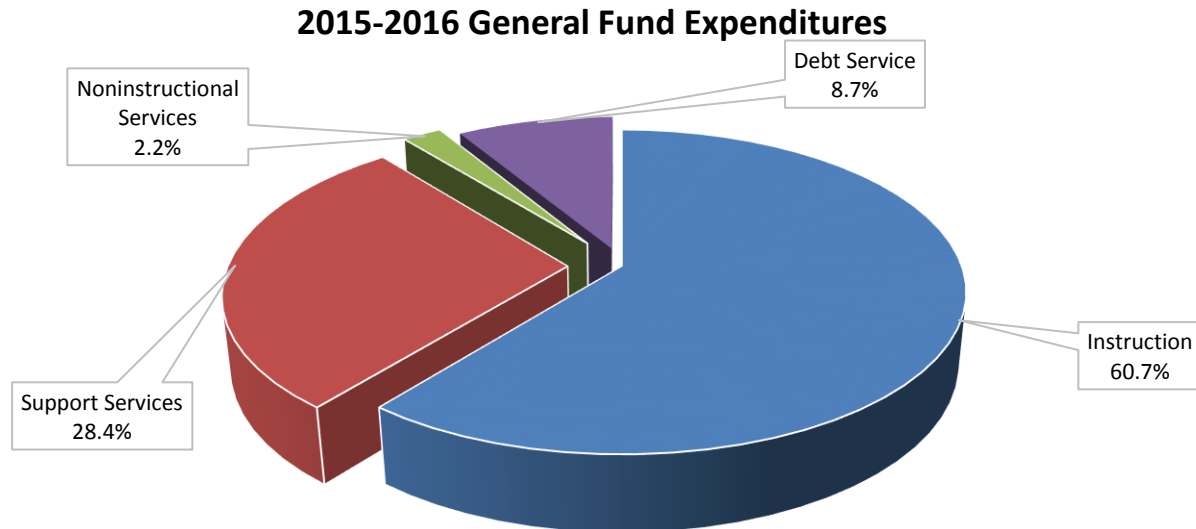
Federal revenues decreased by 3.2 percent; this was primarily the net effect of an increase in Title II funding of \$80,026 that was offset by a decrease in Medical Assistance funding of \$196,367 and a decrease of \$27,437 in Title III spending.

EXPENDITURES

General Fund expenditures, excluding transfers to other governmental funds, totaled \$214,590,719. This was an increase of \$7,607,313, or 3.7 percent over the prior year, and it was \$2,024,739 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 2015-2016 budget, are as follows:

	General Fund Expenditures 2016	Percentage of Total	Increase/ (Decrease) from 2015	Variance Over/(Under) Final Budget
Instruction	\$130,495,364	60.7%	\$ 8,348,306	\$ (490,126)
Support services	60,941,817	28.4%	1,879,520	(1,396,396)
Noninstructional services	4,803,105	2.2%	192,923	(138,216)
Debt service	18,350,433	8.7%	(2,183,436)	(1)
TOTAL	\$214,590,719	100.0%	\$ 7,607,313	\$ (2,024,739)

WEST CHESTER AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
JUNE 30, 2016



The driving factor for the 2015-2016 increases in expenses was benefit cost. The District's employer pension expenses rose 22 percent in 2015-2016. Rising healthcare costs added to benefit cost. Benefit costs drove the increase in instruction, support service, and non-instructional support services expenses. The District reduced debt service expense by taking advantage of the favorable interest rate market for borrowers and refinancing debt when possible.

Capital Projects Fund

Fiscal year 2015-2016 represented the fifth year of the District's elementary school master plan renovations. By the completion of this plan, all ten elementary schools will have been renovated. As of June 30, 2016, the District had a capital projects fund balance of \$4,038,838. This was an increase of \$7,490,014 from the prior year. The District reported net cash inflows of \$9,717,336, which represented the new bond funds secured to fund the latest elementary school renovations and an additional \$5,050,000 of proceeds from the sale of land for a total inflow of \$14,767,336. The District also reported expenditures of \$7,277,322 in 2015-2016. These expenditures were primarily related to the design and renovation of the elementary schools.

Capital Reserve Fund

The Capital Reserve Fund had a fund balance of \$27,440,218 at June 30, 2016. This was a \$5,236,918 increase from the prior year. The Capital Reserve Fund is funded by transfers from the General Fund. In 2015-2016, the capital outflows from the Capital Reserve Fund were spent on technology replacements as well as repairs and maintenance projects. The Capital Reserve Fund

WEST CHESTER AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
JUNE 30, 2016

received a transfer in of \$9,107,247 from the General Fund. This transfer represented general fund maintenance projects and debt service savings achieved through refinancing three existing bond issues.

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 actual amounts 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 \$205,448 over budget, or 0.1 percent. Total expenditures were under the amended budget by \$2,024,739, or 0.9 percent.

CAPITAL ASSETS

At June 30, 2016, the District had \$293,941,698 invested in a broad range of governmental capital assets, including land, buildings, and furniture and equipment. This amount represents a net decrease (including additions, deletions, and depreciation) of \$9,192,378, or three percent from the prior year. The District sold almost 50 acres of land, which resulted in a reduction of land of \$5,318,056. Additionally, the District's construction-in-progress balance increased by \$5,306,372 from the prior year.

The following schedule depicts the capital assets for the period July 1, 2015 through June 30, 2016. More detailed information about capital assets is included in the notes to the financial statements.

	Governmental Activities	Business-type Activities	Total Assets
Capital assets:			
Land	\$ 28,289,916	\$ -	\$ 28,289,916
Land improvements	15,770,266	-	15,770,266
Buildings	398,442,243	-	398,442,243
Construction-in-progress	13,850,498	-	13,850,498
Furniture and equipment	35,726,095	965,349	36,691,444
TOTAL CAPITAL ASSETS	492,079,018	965,349	493,044,367
TOTAL ACCUMULATED DEPRECIATION	198,539,706	562,963	199,102,669
CAPITAL ASSETS, NET	\$ 293,539,312	\$ 402,386	\$ 293,941,698

WEST CHESTER AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
JUNE 30, 2016

DEBT ADMINISTRATION

As of June 30, 2016, the District had total outstanding bonds and related charges of \$290,026,054, an increase of \$587,200 from the prior year. During 2015-2016, the District refinanced \$59,095,000 in outstanding debt to take advantage of the favorable financing market conditions. 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, 2016

	<u>Principal Outstanding June 30, 2015</u>	<u>Maturities/ Refinancing</u>	<u>Additions</u>	<u>Principal Outstanding June 30, 2016</u>
GENERAL OBLIGATION BONDS AND NOTES	\$ 271,826,000	\$ 67,111,000	\$ 61,900,000	\$ 266,615,000
<i>Deferred amounts:</i>				
Net issuance premium	<u>17,612,854</u>	<u>2,502,111</u>	<u>8,300,311</u>	<u>23,411,054</u>
LONG-TERM DEBT	<u>\$ 289,438,854</u>	<u>\$ 69,613,111</u>	<u>\$ 70,200,311</u>	<u>\$ 290,026,054</u>

OTHER LONG-TERM LIABILITIES

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

THE DISTRICT'S FUTURE

The District forecasts budgetary impacts five years forward. Looking forward, the District is currently forecasting expenses to outpace revenues, creating a budgetary gap. Local revenue, the District's largest budgetary stream, has been slow to recover after the national economic down turn. Interim real estate tax, earned income tax, growth in real estate tax base, and transfer tax collections all follow local economic trends. While state and federal funding 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. The District's employer pension contribution rate rose to 30.03 percent in 2016-2017 and will continue to increase going forward. The District also projects an annual increase of 7.57 percent per year in health benefits.

WEST CHESTER AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
JUNE 30, 2016

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 reduce millage rate impact. The District has changed healthcare plans for all its labor groups in an attempt to limit healthcare expenses. While currently the District is showing a deficit, the District School Board and staff are working hard to develop methods to address the District's long-term financial needs.

Within the District's capital funds, the District initiated its 16-year long-term elementary school master plan, which includes renovations and/or additions to each of its 10 elementary schools. This project was the continuation of the District's secondary school renovation program that was completed. The District has completed its third building renovation and is in progress with the fourth and fifth renovations. As for the balance of the plan, the District is cautious due to the current financial environment. The District has always exercised caution in a conservative approach to borrowing, including waiting until long-term bonds (20-year notes) were capable of being sold at advantageous, fixed rates of interest.

FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors, and creditors with a general overview of the District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact Mr. John Scully, Director of Business Affairs at The West Chester Area School District, 829 Paoli Pike, West Chester, PA 19380, (484) 266-1020.

WEST CHESTER AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 18,762,949	\$ 52,310	\$ 18,815,259
Investments	53,490,542	1,197,402	54,687,944
Internal balances	(585)	585	-
Due from other governments	4,598,096	24,477	4,622,573
Other receivables	1,709,901	96,757	1,806,658
Taxes receivable	3,615,153	-	3,615,153
Prepaid expenses	2,434,975	-	2,434,975
Inventories	-	27,633	27,633
Total Current Assets	84,611,031	1,399,164	86,010,195
Noncurrent Assets:			
Capital assets			
Land	28,289,916	-	28,289,916
Construction-in-progress	13,850,498	-	13,850,498
Land improvements	15,770,266	-	15,770,266
Buildings	398,442,243	-	398,442,243
Furniture and equipment	35,726,095	965,349	36,691,444
Less: Accumulated depreciation	(198,539,706)	(562,963)	(199,102,669)
Total Noncurrent Assets	293,539,312	402,386	293,941,698
TOTAL ASSETS	378,150,343	1,801,550	379,951,893
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	7,550,581	-	7,550,581
Deferred pension contributions	22,053,155	-	22,053,155
Deferred pension	9,097,787	-	9,097,787
TOTAL DEFERRED OUTFLOWS	38,701,523	-	38,701,523
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 416,851,866	\$ 1,801,550	\$ 418,653,416
LIABILITIES AND NET POSITION (DEFICIT)			
LIABILITIES			
Current Liabilities:			
Accounts payable and other current liabilities	\$ 22,202,118	\$ 182,849	\$ 22,384,967
Accrued interest	1,500,949	-	1,500,949
Unearned revenues	144,102	173,746	317,848
Bonds and notes payable, net	16,976,211	-	16,976,211
Total Current Liabilities	40,823,380	356,595	41,179,975
Noncurrent Liabilities:			
Bonds and notes payable, net	273,049,843	-	273,049,843
Accrued severance and compensated absences	4,626,439	-	4,626,439
Other post-employment benefits	406,171	-	406,171
Net pension liability	293,071,000	-	293,071,000
Total Noncurrent Liabilities	571,153,453	-	571,153,453
TOTAL LIABILITIES	611,976,833	356,595	612,333,428
DEFERRED INFLOW OF RESOURCES			
Deferred pension	1,803,000	-	1,803,000
NET POSITION (DEFICIT)			
Net investment in capital assets	11,063,839	402,386	11,466,225
Restricted for capital projects	27,440,218	-	27,440,218
Unrestricted (Deficit)	(235,432,024)	1,042,569	(234,389,455)
TOTAL NET POSITION (DEFICIT)	(196,927,967)	1,444,955	(195,483,012)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)	\$ 416,851,866	\$ 1,801,550	\$ 418,653,416

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, 2016**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position (Deficit)			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- type Activities	Totals
PRIMARY GOVERNMENT							
GOVERNMENTAL ACTIVITIES:							
Instruction	\$ 144,772,158	\$ 542,986	\$ 18,923,824	\$ -	\$ (125,305,348)	-	\$ (125,305,348)
Instructional student support	17,710,876	-	2,085,664	-	(15,625,212)	-	(15,625,212)
Administrative and financial support services	18,127,334	-	1,456,201	-	(16,671,133)	-	(16,671,133)
Operation and maintenance of plant services	17,439,654	402,308	1,119,557	-	(15,917,789)	-	(15,917,789)
Pupil transportation	14,042,517	-	3,707,129	-	(10,335,388)	-	(10,335,388)
Student activities	5,132,865	430,050	450,682	-	(4,252,133)	-	(4,252,133)
Community services	142,350	-	139	-	(142,211)	-	(142,211)
Interest on long-term debt	8,945,807	-	-	-	(8,945,807)	-	(8,945,807)
TOTAL GOVERNMENTAL ACTIVITIES	226,313,561	1,375,344	27,743,196	-	(197,195,021)	-	(197,195,021)
BUSINESS-TYPE ACTIVITIES:							
Food service	3,229,852	2,293,122	973,508	-	-	36,778	36,778
TOTAL PRIMARY GOVERNMENT	\$ 229,543,413	\$ 3,668,466	\$ 28,716,704	\$ -	(197,195,021)	36,778	(197,158,243)
GENERAL REVENUES							
Property taxes, levied for general purposes					155,710,300	-	155,710,300
Taxes levied for specific purposes					24,321,396	-	24,321,396
Grants, entitlements, and contributions not restricted to specific programs					10,928,639	-	10,928,639
Investment earnings					392,047	-	392,047
Other					179,384	-	179,384
TOTAL GENERAL REVENUES					191,531,766	-	191,531,766
CHANGE IN NET POSITION					(5,663,255)	36,778	(5,626,477)
NET POSITION (DEFICIT), BEGINNING OF YEAR					(191,264,712)	1,408,177	(189,856,535)
NET POSITION (DEFICIT), END OF YEAR					\$(196,927,967)	\$ 1,444,955	\$(195,483,012)

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

**WEST CHESTER AREA SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016**

	General Fund	Capital Projects Fund	Capital Reserve Fund	Other Governmental Fund	Totals
ASSETS					
Cash and cash equivalents	\$ 8,871,143	\$ 618,443	\$ 9,273,363	-	\$ 18,762,949
Investments	30,372,667	5,177,320	17,940,555	-	53,490,542
Taxes receivable	3,615,153	-	-	-	3,615,153
Due from other governments	4,598,096	-	-	-	4,598,096
Other receivables	1,709,901	-	-	-	1,709,901
Prepaid expenditures	2,066,625	-	368,350	-	2,434,975
TOTAL ASSETS	<u>\$ 51,233,585</u>	<u>\$ 5,795,763</u>	<u>\$ 27,582,268</u>	<u>-</u>	<u>\$ 84,611,616</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES:					
Accounts payable and accrued liabilities	\$ 4,599,948	\$ 1,756,925	\$ 142,050	-	\$ 6,498,923
Unearned revenue	144,102	-	-	-	144,102
Due to other funds	585	-	-	-	585
Payroll accruals and withholdings	15,703,195	-	-	-	15,703,195
TOTAL LIABILITIES	<u>20,447,830</u>	<u>1,756,925</u>	<u>142,050</u>	<u>-</u>	<u>22,346,805</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	2,024,777	-	-	-	2,024,777
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,024,777</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,024,777</u>
FUND BALANCES:					
Nonspendable	2,066,625	-	368,350	-	2,434,975
Restricted	-	4,038,838	27,071,868	-	31,110,706
Committed	6,276,909	-	-	-	6,276,909
Assigned	5,560,492	-	-	-	5,560,492
Unassigned	14,856,952	-	-	-	14,856,952
TOTAL FUND BALANCES	<u>28,760,978</u>	<u>4,038,838</u>	<u>27,440,218</u>	<u>-</u>	<u>60,240,034</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 51,233,585</u>	<u>\$ 5,795,763</u>	<u>\$ 27,582,268</u>	<u>-</u>	<u>\$ 84,611,616</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, 2016**

TOTAL FUND BALANCES FOR GOVERNMENTAL FUNDS \$ 60,240,034

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 \$492,079,018, and accumulated depreciation was \$198,539,706. 293,539,312

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. 2,024,777

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. 7,550,581

Other post-employment benefits (OPEB) are not financial resources and, therefore, are not reported in the governmental funds. (406,171)

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

Accrued interest	\$ (1,500,949)	
Bonds and notes payable in future years, net	(290,026,054)	
Accumulated compensated absences	(4,626,439)	
Net pension liability	<u>(293,071,000)</u>	(589,224,442)

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

Deferred outflows of resources:		
Deferred pension contributions	22,053,155	
Deferred outflows - pension	9,097,787	
Deferred inflows of resources:		
Deferred inflows - pension	<u>(1,803,000)</u>	<u>29,347,942</u>

TOTAL NET DEFICIT OF GOVERNMENTAL ACTIVITIES \$ (196,927,967)

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, 2016**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Capital Reserve Fund</u>	<u>Other Governmental Fund</u>	<u>Totals</u>
REVENUES					
Local sources	\$ 182,084,694	-	\$ 59,832	-	\$ 182,144,526
State sources	35,806,499	-	-	-	35,806,499
Federal sources	2,865,335	-	-	-	2,865,335
TOTAL REVENUES	<u>220,756,528</u>	<u>-</u>	<u>59,832</u>	<u>-</u>	<u>220,816,360</u>
EXPENDITURES					
Current:					
Instruction	130,495,364	-	1,995,018	-	132,490,382
Support services	60,941,817	116,980	813,909	347,273	62,219,979
Operation of noninstructional services	4,803,105	-	-	-	4,803,105
Debt service:					
Principal	8,176,000	-	-	-	8,176,000
Interest	10,174,433	-	-	-	10,174,433
Capital outlays	-	7,160,342	1,148,952	-	8,309,294
TOTAL EXPENDITURES	<u>214,590,719</u>	<u>7,277,322</u>	<u>3,957,879</u>	<u>347,273</u>	<u>226,173,193</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>6,165,809</u>	<u>(7,277,322)</u>	<u>(3,898,047)</u>	<u>(347,273)</u>	<u>(5,356,833)</u>
OTHER FINANCING SOURCES (USES)					
Refund of prior year expenditures	36,857	-	-	-	36,857
Bonds issued for refunding	-	-	-	52,210,000	52,210,000
Bonds issued for capital projects	-	9,690,000	-	-	9,690,000
Payment to refund bonds	-	-	-	(60,135,702)	(60,135,702)
Premium on bonds issued	-	8,799	-	8,291,512	8,300,311
Proceeds from sale of capital assets	-	5,050,000	27,718	-	5,077,718
Transfers in	-	18,537	9,107,247	-	9,125,784
Transfers out	(9,107,247)	-	-	(18,537)	(9,125,784)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(9,070,390)</u>	<u>14,767,336</u>	<u>9,134,965</u>	<u>347,273</u>	<u>15,179,184</u>
NET CHANGE IN FUND BALANCES	(2,904,581)	7,490,014	5,236,918	-	9,822,351
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	31,665,559	(3,451,176)	22,203,300	-	50,417,683
FUND BALANCES, END OF YEAR	<u>\$ 28,760,978</u>	<u>\$ 4,038,838</u>	<u>\$ 27,440,218</u>	<u>\$ -</u>	<u>\$ 60,240,034</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, 2016**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 9,822,351

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

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

Capital outlays	\$ 9,234,830	
Depreciation expense	(13,180,135)	
Proceeds from sale of capital assets	(5,077,718)	
Loss on disposal of capital assets	<u>(274,103)</u>	(9,297,126)

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. (202,911)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. (587,200)

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. (41,055)

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 179,414

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. (112,655)

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. 432,525

Pension expense in the statement of activities differs from the amount reported in the governmental funds because pension expense is recognized in the statement of activities based on the District's proportionate share of the expenses of the cost-sharing pension plan, whereas pension expenditures are recognized in the governmental funds when a requirement to remit contributions to the plan exists. (5,856,598)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (5,663,255)

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, 2016**

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$181,217,141	\$181,217,141	\$182,084,694	\$ 867,553
State sources	36,653,608	36,653,608	35,806,499	(847,109)
Federal sources	2,680,331	2,680,331	2,865,335	185,004
TOTAL REVENUES	<u>220,551,080</u>	<u>220,551,080</u>	<u>220,756,528</u>	<u>205,448</u>
EXPENDITURES				
Current:				
Instruction				
Regular programs, elementary/secondary	89,029,451	89,765,447	89,750,239	15,208
Special programs, elementary/secondary	31,686,192	34,427,348	34,299,536	127,812
Vocational education programs	5,985,970	5,974,407	5,755,521	218,886
Other instructional programs	769,060	767,416	668,126	99,290
Nonpublic school programs	50,872	50,872	21,942	28,930
Total Instruction	<u>127,521,545</u>	<u>130,985,490</u>	<u>130,495,364</u>	<u>490,126</u>
Support services				
Pupil personnel	8,724,176	8,715,300	8,637,182	78,118
Instructional staff	5,573,653	5,600,161	5,213,154	387,007
Administration	10,931,643	10,843,944	10,569,909	274,035
Pupil health	2,132,745	2,182,326	2,165,522	16,804
Business	1,879,640	1,879,640	1,859,038	20,602
Operation and maintenance of plant services	17,253,659	15,924,951	15,696,512	228,439
Student transportation services	13,616,878	13,487,098	13,183,652	303,446
Central	3,270,296	3,497,263	3,489,068	8,195
Other support services	207,530	207,530	127,780	79,750
Total Support Services	<u>63,590,220</u>	<u>62,338,213</u>	<u>60,941,817</u>	<u>1,396,396</u>
Operation of noninstructional services				
Student activities	4,806,623	4,806,782	4,669,384	137,398
Community services	136,035	134,539	133,721	818
Total Operation of Noninstructional Services	<u>4,942,658</u>	<u>4,941,321</u>	<u>4,803,105</u>	<u>138,216</u>
Debt service				
Principal, interest, and fiscal agent fees	20,810,657	18,350,434	18,350,433	1
TOTAL EXPENDITURES	<u>216,865,080</u>	<u>216,615,458</u>	<u>214,590,719</u>	<u>2,024,739</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>3,686,000</u>	<u>3,935,622</u>	<u>6,165,809</u>	<u>2,230,187</u>
OTHER FINANCING SOURCES (USES)				
Refund of prior year expenditures	-	-	36,857	36,857
Interfund transfer out	(8,857,625)	(9,107,247)	(9,107,247)	-
TOTAL OTHER FINANCING USES	<u>(8,857,625)</u>	<u>(9,107,247)</u>	<u>(9,070,390)</u>	<u>36,857</u>
NET CHANGE IN FUND BALANCE	(5,171,625)	(5,171,625)	(2,904,581)	2,267,044
FUND BALANCE, BEGINNING OF YEAR	<u>31,665,559</u>	<u>31,665,559</u>	<u>31,665,559</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 26,493,934</u>	<u>\$ 26,493,934</u>	<u>\$ 28,760,978</u>	<u>\$ 2,267,044</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, 2016**

	<u>Food Service Fund</u>
ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 52,310
Investments	1,197,402
Due from other governments	24,477
Due from other funds	585
Other receivables	96,757
Inventories, donated commodities	27,633
TOTAL CURRENT ASSETS	<u>1,399,164</u>
 CAPITAL ASSETS:	
Furniture and equipment, net	<u>402,386</u>
 TOTAL ASSETS	 <u><u>\$ 1,801,550</u></u>
 LIABILITIES AND NET POSITION	
CURRENT LIABILITIES:	
Accounts payable and accrued liabilities	\$ 182,849
Unearned revenue	173,746
TOTAL LIABILITIES	<u>356,595</u>
 NET POSITION:	
Investment in capital assets	402,386
Unrestricted	1,042,569
TOTAL NET POSITION	<u>1,444,955</u>
 TOTAL LIABILITIES AND NET POSITION	 <u><u>\$ 1,801,550</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, 2016

	<u>Food Service Fund</u>
OPERATING REVENUES	
Food service revenues	\$ 2,293,122
TOTAL OPERATING REVENUES	<u>2,293,122</u>
OPERATING EXPENSES	
Professional and contract services	3,172,064
Depreciation	56,040
Other operating costs	1,748
TOTAL OPERATING EXPENSES	<u>3,229,852</u>
OPERATING LOSS	<u>(936,730)</u>
NONOPERATING REVENUES	
State sources	69,269
Federal sources	901,501
Interest income	2,738
TOTAL NONOPERATING REVENUES	<u>973,508</u>
CHANGE IN NET POSITION	36,778
NET POSITION, BEGINNING OF YEAR	<u>1,408,177</u>
NET POSITION, END OF YEAR	<u><u>\$ 1,444,955</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, 2016**

	<u>Food Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 2,419,317
Payments to suppliers	<u>(3,081,003)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(661,686)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
State sources	59,010
Federal sources	<u>778,702</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>837,712</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of capital assets	<u>(160,788)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(160,788)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of investment securities and deposits to investment pools	(51,528)
Interest income	<u>2,738</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(48,790)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(33,552)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>85,862</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 52,310</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating loss	\$ (936,730)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	56,040
Commodities usage	139,582
Changes in assets and liabilities:	
Decrease in other receivables	100,278
(Increase) in due from other funds	(93)
(Decrease) in accounts payable and accrued liabilities	(46,774)
Increase in unearned revenue	<u>26,011</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (661,686)</u>
<u>SUPPLEMENTAL DISCLOSURE</u>	
NONCASH NONCAPITAL FINANCING ACTIVITY:	
USDA donated commodities	<u>\$ 139,582</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, 2016**

	Student Activity Funds	Other Agency Fund	Total Agency Funds	Private- Purpose Trust
ASSETS				
Cash and cash equivalents	\$ 432,065	\$ 60,164	\$ 492,229	\$ 410,690
TOTAL ASSETS	<u>\$ 432,065</u>	<u>\$ 60,164</u>	<u>\$ 492,229</u>	<u>\$ 410,690</u>
LIABILITIES AND NET POSITION				
LIABILITIES:				
Other current liabilities	\$ 432,065	\$ 60,164	\$ 492,229	\$ -
TOTAL LIABILITIES	<u>432,065</u>	<u>60,164</u>	<u>492,229</u>	<u>-</u>
NET POSITION:				
Restricted	-	-	-	410,690
TOTAL NET POSITION	<u>-</u>	<u>-</u>	<u>-</u>	<u>410,690</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 432,065</u>	<u>\$ 60,164</u>	<u>\$ 492,229</u>	<u>\$ 410,690</u>

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

**WEST CHESTER AREA SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Private- Purpose Trust</u>
ADDITIONS	
Gifts and contributions	<u>\$ 647,151</u>
TOTAL ADDITIONS	<u>647,151</u>
DEDUCTIONS	
Grants	<u>733,376</u>
TOTAL DEDUCTIONS	<u>733,376</u>
CHANGE IN NET POSITION	(86,225)
NET POSITION, BEGINNING OF YEAR	<u>496,915</u>
NET POSITION, END OF YEAR	<u><u>\$ 410,690</u></u>

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

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

Entity-wide and Fund Financial Statements

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

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

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

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The District reports the following major government funds:

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

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

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

The District reports 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)

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

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

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

Additionally, the District reports the following fund types:

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

Assets, Liabilities, and Net Position or Equity

Deposits and Investments

Under Section 440-1 of the Public School Code of 1949, as amended, the District is permitted to invest funds consistent with sound business practices in the following types of investments:

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

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

During the year ended June 30, 2016, permitted investments were expanded to include highly rated commercial paper, bankers' acceptances, and negotiable certificates of deposit.

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

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

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

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

Receivables and Payables

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

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

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

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

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. In both the governmental funds and the proprietary fund, these payments are reported as expense when they are consumed in accordance with the consumption method of accounting.

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

Inventory

All inventories are valued at the lower of cost (first-in, first-out method) or market. Inventories reported in the governmental funds consist of expendable materials and supplies, which are recorded as expenditures when purchased. Inventories in the proprietary fund consist of food and related supplies, and are recorded as expenses when consumed.

Capital Assets

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

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

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

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

Compensated Absences

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

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

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

Accrued Severance Pay

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

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

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

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

The second deferred outflow relates to pension contributions made subsequent to the measurement date of the net pension liability (generally measured one year prior to the date of the financial statements), and the unamortized portion of contributions made in excess of the District's share of its proportionate contributions to its pension plan. Deferred outflows also encompass the actuarially determined amount of the additional expense resulting from the change in the District's share of the net pension liability from year to year. These amounts are amortized over the actuarially determined estimated remaining service life of all employees in the plan.

In the statement of net position, a deferred inflow is recorded when the pension plan's investments realize a greater rate of return than the estimated rate of return used as part of the actuarial valuation of the plan; the excess amount is amortized over five years. A deferred inflow of resources is also recorded for differences between the actuarially expected and actual experiences of the Plan, which are amortized over the estimated remaining service life of all employees in the Plan. See Note 13 for further analysis of deferred outflows and inflows of resources related to the net pension liability.

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

Fund Equity

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

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

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

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

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

Net Position

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

Use of Estimates in the Preparation of Financial Statements

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

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

Implementation of GASB Statement

During the year ended June 30, 2016, the District implemented GASB Statement No. 72, "Fair Value Measurement and Application." GASB Statement No. 72 provides guidance for determining a fair value measurement for financial reporting purposes and applying fair value to certain investments, as well as improving disclosures related to all fair value measurements. The effects of this statement have been included in the District's footnote disclosures.

NOTE 2 BUDGETARY INFORMATION

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

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

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

NOTE 3 DEPOSITS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The District does not have a policy for custodial credit risk but operates under the provisions of Commonwealth laws (Act 72). At June 30, 2016, the carrying amount

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 3 DEPOSITS (cont'd)

of the District's deposits was \$19,718,178, and the bank balance was \$20,474,343. Of the bank balance, \$250,000 was covered by federal depository insurance. The remaining balance was fully collateralized. This collateral was held by the depository's agent on a pooled basis not in the District's name.

NOTE 4 INVESTMENTS

The District purchases money market holdings, certificates of deposit ("CDs") and government agency securities through Fulton Financial Advisors. The money market is a federal money market fund and maintains a stable net asset value of \$1 per share, is rated by a nationally recognized statistical rating organization, and is subject to an independent annual audit. As of June 30, 2016, it was rated AAA by a nationally recognized statistical rating agency. Fulton Financial Advisors is a registered member of the Securities and Exchange Commission and subject to the Commission's oversight. These investments are held by a third party. Investments are in short-term securities in accordance with the District's investment policy and school district code. All agency securities purchased are highly rated by a nationally recognized rating agency. All CDs are purchased at values to stay within the FDIC insurance limits.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The District has the following recurring fair value measurements as of June 30, 2016:

	Fair Value	Level 1	Level 2	Maturity in Less than One Year	Maturity in Greater than One Year
General Fund					
CRIMS - Certificates of deposit	\$ 21,306,628	\$ -	\$ 21,306,628	\$ 21,306,628	\$ -
CRIMS - Money market	1,010,756	1,010,756	-	1,010,756	-
CRIMS - Agencies	7,324,482	-	7,324,482	7,324,482	-
Pennsylvania School District					
Liquid Asset Fund ("PSDLAF")	461,384	461,384	-	461,384	-
Pennsylvania Treasurer's					
Investment Program ("PTIP")	269,417	269,417	-	269,417	-
Total General Fund	30,372,667	1,741,557	28,631,110	30,372,667	-
Capital Projects Fund					
Pennsylvania Local Government					
Investment Trust ("PLGIT")	5,177,320	5,177,320	-	5,177,320	-
Total Capital Projects Fund	5,177,320	5,177,320	-	5,177,320	-

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 4 INVESTMENTS (cont'd)

	Fair Value	Level 1	Level 2	Maturity in Less than One Year	Maturity in Greater than One Year
Capital Reserve Fund Account					
CRIMS - Certificates of deposit	8,574,966	-	8,574,966	7,098,571	1,476,395
CRIMS - Money market	8,111,085	8,111,085	-	8,111,085	-
CRIMS - Agencies	1,249,431	-	1,249,431	1,249,431	-
Pennsylvania School District					
Liquid Asset Fund ("PSDLAF")	779	779	-	779	-
Pennsylvania Local Government					
Investment Trust ("PLGIT")	4,294	4,294	-	4,294	-
Total Capital Reserve Fund Account	17,940,555	8,116,158	9,824,397	16,464,160	1,476,395
Food Service Fund					
Pennsylvania Treasurer's					
Investment Program ("PTIP")	1,197,402	1,197,402	-	1,197,402	-
Total Food Service Fund	1,197,402	1,197,402	-	1,197,402	-
TOTALS	\$ 54,687,944	\$ 16,232,437	\$ 38,455,507	\$ 53,211,549	\$ 1,476,395

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, 2016, each was rated as AAA by a nationally recognized statistical rating agency.

NOTE 5 TAXES RECEIVABLE

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

	<u>General Fund</u>
Real estate taxes	\$ 2,503,071
Transfer taxes	362,493
Earned income taxes	749,589
Total Taxes Receivable	\$ 3,615,153

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 5 TAXES RECEIVABLE (cont'd)

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 \$2,024,777 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, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
GOVERNMENTAL ACTIVITIES					
Capital assets not being depreciated:					
Land	\$ 33,159,800	\$ -	\$ 5,318,056	\$ 448,172	\$ 28,289,916
Construction-in-progress	8,544,126	8,403,888	-	(3,097,516)	13,850,498
Total Capital Assets Not Being Depreciated	<u>41,703,926</u>	<u>8,403,888</u>	<u>5,318,056</u>	<u>(2,649,344)</u>	<u>42,140,414</u>
Capital assets being depreciated:					
Land improvements	15,387,038	-	-	383,228	15,770,266
Buildings	396,169,432	6,695	-	2,266,116	398,442,243
Furniture and equipment	35,366,723	824,247	464,875	-	35,726,095
Total Capital Assets Being Depreciated	<u>446,923,193</u>	<u>830,942</u>	<u>464,875</u>	<u>2,649,344</u>	<u>449,938,604</u>
Accumulated depreciation for:					
Land improvements	5,897,184	740,215	-	-	6,637,399
Buildings	149,226,227	10,256,224	-	-	159,482,451
Furniture and equipment	30,667,270	2,183,696	431,110	-	32,419,856
Total Accumulated Depreciation	<u>185,790,681</u>	<u>13,180,135</u>	<u>431,110</u>	<u>-</u>	<u>198,539,706</u>
Total Capital Assets Being Depreciated, Net	<u>261,132,512</u>	<u>(12,349,193)</u>	<u>33,765</u>	<u>2,649,344</u>	<u>251,398,898</u>
Governmental Activities, Net	<u>\$302,836,438</u>	<u>\$ (3,945,305)</u>	<u>\$ 5,351,821</u>	<u>\$ -</u>	<u>\$293,539,312</u>

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 6 CAPITAL ASSETS (cont'd)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
BUSINESS-TYPE ACTIVITIES					
Capital assets:					
Furniture and equipment	\$ 804,561	\$ 160,788	\$ -	\$ -	\$ 965,349
Total Capital Assets	<u>804,561</u>	<u>160,788</u>	<u>-</u>	<u>-</u>	<u>965,349</u>
Accumulated depreciation for:					
Furniture and equipment	506,923	56,040	-	-	562,963
Total Accumulated Depreciation	<u>506,923</u>	<u>56,040</u>	<u>-</u>	<u>-</u>	<u>562,963</u>
Business-type Activities					
Capital Assets, Net	<u>\$ 297,638</u>	<u>\$ 104,748</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 402,386</u>

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

Governmental activities:	
Instruction	\$ 8,421,361
Instructional student support	1,018,001
Administrative and financial support services	1,071,638
Operation and maintenance of plant services	1,525,859
Pupil transportation	837,980
Student activities	296,796
Community services	<u>8,500</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 13,180,135</u>
Business-type Activities - Food Service	<u>\$ 56,040</u>

NOTE 7 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2016 is as follows:

Receivable to	Payable from	Amount
Food Service Fund	General Fund	\$ 585

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 \$9,107,247 to the capital reserve fund for the year ended June 30, 2016 to fund future planned capital expenditures.

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 8 LONG-TERM DEBT

The following summarizes the changes in the long-term liabilities of governmental activities for the year ended June 30, 2016:

	<u>Principal Outstanding June 30, 2015</u>	<u>Repayments</u>	<u>Additions</u>	<u>Principal Outstanding June 30, 2016</u>	<u>Due in One Year</u>
General obligation note, Series B of 2000	\$ 1,246,000	\$ 1,246,000	\$ -	\$ -	\$ -
General obligation bonds, Refunding Series of 2006	17,295,000	17,295,000	-	-	-
General obligation bonds, Refunding Series A of 2006	36,825,000	36,825,000	-	-	-
General obligation note, Series of 2009	9,975,000	5,000	-	9,970,000	5,000
General obligation bonds, Refunding Series A of 2010	4,975,000	4,975,000	-	-	-
General obligation bonds, Refunding Series AA of 2010	19,710,000	1,125,000	-	18,585,000	2,510,000
General obligation bonds, Refunding Series of 2011	8,420,000	515,000	-	7,905,000	525,000
General obligation bonds, Series A of 2012	21,000,000	-	-	21,000,000	-
General obligation bonds, Series AA of 2012	39,215,000	115,000	-	39,100,000	115,000
General obligation bonds, Series of 2013	4,795,000	745,000	-	4,050,000	765,000
General obligation bonds, Series of 2014	12,000,000	-	-	12,000,000	-
General obligation bonds, Series A of 2014	30,885,000	5,000	-	30,880,000	4,485,000
General obligation bonds, Series AA of 2014	57,635,000	355,000	-	57,280,000	270,000
General obligation bonds, Series of 2015	7,850,000	3,240,000	-	4,610,000	3,320,000
General obligation bonds, Series of A of 2015	-	-	9,690,000	9,690,000	5,000
General obligation bonds, Series of AA of 2015	-	565,000	4,880,000	4,315,000	665,000
General obligation bonds, Series of 2016	-	100,000	15,300,000	15,200,000	1,490,000
General obligation bonds, Series A of 2016	-	-	32,030,000	32,030,000	5,000
	<u>271,826,000</u>	<u>67,111,000</u>	<u>61,900,000</u>	<u>266,615,000</u>	<u>14,160,000</u>
Deferred amounts: Issuance (discounts) premium, net	17,612,854	2,502,111	8,300,311	23,411,054	2,816,211
LONG-TERM DEBT	<u>\$289,438,854</u>	<u>\$69,613,111</u>	<u>\$70,200,311</u>	<u>\$290,026,054</u>	<u>\$16,796,211</u>

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 8 LONG-TERM DEBT (cont'd)

General Obligation Bonds

Refunding Series AA of 2010, original principal amount of \$28,220,000, maturing March 15, 2012 through March 15, 2022, bearing interest ranging from 2.00% to 5.00%, interest payable semi-annually on March 15 and September 15.	\$ 18,585,000
Refunding Series of 2011, original principal amount of \$9,585,000, maturing February 15, 2013 through February 15, 2029, bearing interest ranging from 2.00% to 3.20%, interest payable semi-annually on February 15 and August 15.	7,905,000
Series A of 2012, original principal amount of \$21,000,000, maturing May 15, 2014 through May 15, 2032, bearing interest of 3.00%, interest payable semi-annually on May 15 and November 15.	21,000,000
Refunding Series AA of 2012, original principal amount of \$39,330,000, maturing May 15, 2014 through May 15, 2022, bearing interest ranging from 2.00% to 5.00%, interest payable semi-annually on May 15 and November 15.	39,100,000
Refunding Series of 2013, original principal amount of \$8,215,000, maturing October 1, 2013 through October 1, 2020, bearing interest ranging from 2.00% to 4.00%, interest payable semi-annually on April 1 and October 1.	4,050,000
Series of 2014, original principal amount of \$12,000,000, maturing May 15, 2025 through May 15, 2032, bearing interest ranging from 3.75% to 4.25%, interest payable semi-annually on May 15 and November 15.	12,000,000
Refunding Series A of 2014, original principal amount of \$30,890,000, maturing May 15, 2016 through May 15, 2024, bearing interest ranging from 0.30% to 5.00%, interest payable semi-annually on May 15 and November 15.	30,880,000

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 8 LONG-TERM DEBT (cont'd)

Refunding Series AA of 2014, original principal amount of \$57,635,000, maturing May 15, 2016 through May 15, 2030, bearing interest ranging from 2.00% to 5.00%, interest payable semi-annually on May 15 and November 15. 57,280,000

Refunding Series of 2015, original principal amount of \$7,850,000, maturing November 15, 2016 through November 15, 2017, bearing interest ranging from 2.00% to 4.00%, interest payable semi-annually on May 15 and November 15. 4,610,000

Series A of 2015, original principal amount of \$9,690,000, maturing May 15, 2017 through May 15, 2032, bearing interest ranging from 1.30% to 2.80%, interest payable semi-annually on May 15 and November 15. 9,690,000

Refunding Series AA of 2015, original principal amount of \$4,880,000, maturing May 15, 2016 through November 15, 2021, bearing interest ranging from 0.25% to 4.00%, interest payable semi-annually on May 15 and November 15. The refunding resulted in a cash flow savings of \$145,775 and an economic benefit of \$122,606. 4,315,000

Refunding Series of 2016, original principal amount of \$15,300,000, maturing April 15, 2016 through April 15, 2024, bearing interest ranging from 1.50% to 5.00%, interest payable semi-annually on April 15 and October 15. The refunding resulted in a cash flow savings of \$1,839,331 and economic benefit of \$1,831,855. 15,200,000

Refunding Series A of 2016, original principal amount of \$32,030,000, maturing February 15, 2017 through February 15, 2027, bearing interest ranging from 1.35% to 5.00%, interest payable semi-annually on February 15 and August 15. The refunding resulted in a cash flow savings of \$7,544,117 and economic benefit of \$6,766,599. 32,030,000

TOTAL BONDS 256,645,000

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 8 LONG-TERM DEBT (cont'd)

General Obligation Notes

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

	9,970,000
TOTAL NOTES	9,970,000
TOTAL BONDS AND NOTES	\$ 266,615,000

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:

Year Ending June 30,	Principal Maturities	Interest Maturities	Total Maturities
2017	\$ 14,160,000	\$ 10,079,332	\$ 24,239,332
2018	14,950,000	10,045,937	24,995,937
2019	15,635,000	9,417,105	25,052,105
2020	16,230,000	8,783,772	25,013,772
2021	16,930,000	8,068,590	24,998,590
2022-2026	93,710,000	28,542,282	122,252,282
2027-2031	85,875,000	9,005,970	94,880,970
2032	9,125,000	302,815	9,427,815
	\$ 266,615,000	\$ 84,245,803	\$ 350,860,803

NOTE 9 CHANGES IN OTHER LONG-TERM LIABILITIES

Other long-term liabilities are summarized as follows:

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016
Accrued compensated absences	\$ 1,902,509	\$ 560,225	\$ (658,287)	\$ 1,804,447
Accrued severance	2,903,344	71,116	(152,468)	2,821,992
	\$ 4,805,853	\$ 631,341	\$ (810,755)	\$ 4,626,439

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 10 CONTINGENT LIABILITIES

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

NOTE 11 CONSTRUCTION COMMITMENTS

As of June 30, 2016, 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, 2016</u>	<u>Commitment</u>
Renovations	<u>\$ 27,268,905</u>	<u>\$ 12,344,832</u>	<u>\$ 14,924,073</u>

In addition, the District has incurred costs totaling \$1,505,666 for project costs that were no under a formal contract as of June 30, 2016.

NOTE 12 RISK MANAGEMENT

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

Each year, the District is required to deposit funds into the central fund. The District then is billed monthly for actual claims for the current year paid during the previous month up to the level of retention. After the level of retention is reached, claim payments are made from the central fund. At the end of each fiscal year, reserves are established or adjusted on all outstanding claims. Funds in the central fund at the end of the fiscal year are not refunded. Total claims paid for the year ended June 30, 2016 were \$173,832.

Additionally, the District self-insures group dental, vision, and prescription coverage. The District has accrued a three-month value for potential claims under dental, vision, and prescription coverage. Total claims paid for the year ended June 30, 2016 were \$7,030,318.

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

The District contributes to the Public School Employees' Retirement System ("PSERS"), a governmental cost-sharing multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the system include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available comprehensive annual financial report that includes the financial statements and required supplementary information for the plan. A copy of this report may be obtained by writing to the Public School Employees' Retirement System, P.O. Box 125, Harrisburg, Pennsylvania 17108-0125, or by visiting the PSERS website at www.psers.state.pa.us.

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62, with at least one year of credited service, (b) age 60 with 30 or more years of credited service, or (c) 35 or more years of service regardless of age. Act 120 of 2010 ("Act 120") preserves the benefits of existing members and introduced benefit reductions for individuals who became new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E ("Class T-E"), and Membership Class T-F ("Class T-F"). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of three years of service, or attain a total combination and age and service that is equal to or greater than 92, with a minimum of 35 years of service. Benefits are generally equal to two percent or two and one-half percent, depending upon the membership class, of the member's final average salary as defined in the Code, multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested, and early retirement may be elected. For Class T-E and Class T-F members, the right to benefits is vested after 10 years of service.

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

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

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

Member Contributions

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

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

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

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

Employer Contributions

The District's contractually required annual contribution is based on an actuarially determined amount that, when combined with the employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2016, the rate of the employer contribution was 25.84 percent of covered payroll, allocated 25.00 percent to pensions and 0.84 percent to health insurance assistance. The District's contribution to PSERS for the years ended June 30, 2016 was \$22,796,485, of which \$22,053,155 was related to pension contributions and \$743,330 was related to health insurance premium assistance.

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

At June 30, 2016, the District reported a liability of \$293,071,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by rolling forward the system's total pension liability as of June 30, 2014 to June 30, 2015. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll.

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

At June 30, 2015, the District's proportion was 0.6766 percent, which was an increase of 0.0137 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$27,909,753. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ -	\$ 594,000
Changes in proportions	7,478,000	-
Difference between employer contributions and proportionate share of total contributions	1,619,787	-
Contributions subsequent to the date of measurement	22,053,155	-
Difference between expected and actual experience	-	1,209,000
	<u>\$ 31,150,942</u>	<u>\$ 1,803,000</u>

Deferred outflows of resources in the amount of \$22,053,155 resulted from the District's contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts will be reported as deferred outflows and resources and deferred inflows of resources related to pensions and will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	
2017	\$ 865,753
2018	865,753
2019	865,753
2020	<u>4,697,528</u>
	<u>\$ 7,294,787</u>

Actuarial Assumptions

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

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

- Actuarial cost method – Entry age normal, level percentage of pay.
- Investment return – 7.50 percent, including inflation of 3.00 percent.
- Salary increases – Effective average of 5.50 percent, which reflects an allowance for inflation of 3.00 percent, real wage growth of 1.00 percent, and merit or seniority increases of 1.50 percent.
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back three years for both males and females. For disabled annuitants, the RP-2000 Combined Disabled Tables (male and female) with age set back seven years for males and three years for females.

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

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Public markets global equity	22.5%	4.8%
Private markets (equity)	15.0%	6.6%
Private real estate	12.0%	4.5%
Global fixed income	7.5%	2.4%
U.S. long treasuries	3.0%	1.4%
TIPS	12.0%	1.1%
High yield bonds	6.0%	3.3%
Cash	3.0%	0.7%

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Absolute return	10.0%	4.9%
Risk parity	10.0%	3.7%
MLPs/infrastructure	5.0%	5.2%
Commodities	8.0%	3.1%
Financing (LIBOR)	(14.0%)	1.1%
	<u>100.00%</u>	

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

Discount Rate

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

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

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

	1% Decrease <u>6.50%</u>	Current Rate Discount Rate <u>7.50%</u>	1% Increase <u>8.50%</u>
District's proportionate share of the net pension liability	\$ 361,239,000	\$ 293,071,000	\$ 235,777,000

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

Pension Plan Fiduciary Net Position

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

NOTE 14 OTHER POST-EMPLOYMENT BENEFITS

Plan Description

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

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

Funding Policy

As of July 1, 2014, 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.

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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]
7/1/2014	\$ -	\$13,296,649	\$13,296,649	0.00%	\$83,546,655	15.92%
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%

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, 2014 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 – 2.5% cost of living + merit 0.25% to 2.75% 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

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

year and to amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the District's net OPEB obligation.

Annual OPEB Cost:		
Normal cost		\$ 504,701
Amortization of unfunded actuarial accrued liability		1,354,852
Interest on net OPEB obligation		13,208
Funding adjustment		<u>(29,908)</u>
 ANNUAL OPEB COST		 <u>\$ 1,842,853</u>
Net OPEB Obligation:		
Net OPEB obligation July 1, 2015		\$ 293,516
OPEB cost for year ended June 30, 2016		1,842,853
Contribution for the year ended June 30, 2016		<u>(1,730,198)</u>
 NET OPEB OBLIGATION		 <u>\$ 406,171</u>

NOTE 15 FUND BALANCES

As of June 30, 2016, 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	\$ 2,066,625	\$ -	\$ 368,350	\$ 2,434,975
Restricted:				
Capital projects	-	4,038,838	27,071,868	31,110,706
Committed:				
PSERS	2,117,000	-	-	2,117,000
Healthcare	4,159,909	-	-	4,159,909
Assigned:				
Tax stabilization	5,471,005	-	-	5,471,005
Athletic activities	89,487	-	-	89,487
Unassigned	<u>14,856,952</u>	<u>-</u>	<u>-</u>	<u>14,856,952</u>
 Total Fund Balances	 <u>\$ 28,760,978</u>	 <u>\$ 4,038,838</u>	 <u>\$ 27,440,218</u>	 <u>\$ 60,240,034</u>

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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 \$3,194,004 and \$11,377,972 for social security and retirement contributions, respectively. These contributions are recorded in the General Fund as revenue and expenditures.

NOTE 17 DEFICIT NET POSITION

For governmental activities, the unrestricted net deficit amount of \$235,432,024 includes the effect of deferring the recognition of pension contributions made subsequent to the measurement date of the net pension liability, the unamortized portion of contributions made in excess of the District's share of its proportionate contributions to its pension plan, and the deferred outflows resulting from the change in the District's share of the net pension liability. This is offset by the District's actuarially determined pension liability and the deferred inflows resulting from the differences between projected and actual investment earnings, and between actual and expected experiences.

NOTE 18 SUBSEQUENT EVENTS

On July 25, 2016 the District's Board of Directors voted and approved the agreement of sale between Whiteland Plaza Associates (seller) and the District (buyer) for the purchase of the property and facilities located at 782 Springdale Drive in Exton that will serve as the new home for the District's administration offices.

Settlement on the new property occurred on September 12, 2016, with plans to relocate offices to the new property in spring of 2017.

The District has evaluated all subsequent events through December 6, 2016, the date the financial statements were available to be issued.

WEST CHESTER AREA SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION



**WEST CHESTER AREA SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY**

	MEASUREMENT DATE	
	<u>JUNE 30, 2015</u>	<u>JUNE 30, 2014</u>
District's proportion of the net pension liability	0.6766%	0.6629%
District's proportion of the net pension liability - dollar value	\$293,071,000	\$262,381,000
District's covered employee payroll	\$ 87,093,346	\$ 84,585,517
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	336.50%	310.20%
Plan fiduciary net position as a percentage of the total pension liability	54.36%	57.24%

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

**WEST CHESTER AREA SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS**

	<u>JUNE 30, 2016</u>	<u>JUNE 30, 2015</u>
Contractually required contribution	\$ 22,053,155	\$ 17,854,136
Contributions in relation to the contractually required contribution	<u>22,053,155</u>	<u>17,854,136</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 88,212,620	\$ 87,093,346
Contributions as a percentage of covered-employee payroll	25.00%	20.50%

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

WEST CHESTER AREA SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION



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

	Balance July 1, 2015	Additions	Deductions	Balance July 1, 2016
AGENCY FUND - FUND 40				
ASSETS				
Cash and cash equivalents	\$ 88,254	\$ 237,133	\$ 265,223	\$ 60,164
TOTAL ASSETS	<u>\$ 88,254</u>	<u>\$ 237,133</u>	<u>\$ 265,223</u>	<u>\$ 60,164</u>
LIABILITIES AND NET POSITION				
LIABILITIES				
Other current liabilities	\$ 88,254	\$ 237,133	\$ 265,223	\$ 60,164
TOTAL LIABILITIES	<u>88,254</u>	<u>237,133</u>	<u>265,223</u>	<u>60,164</u>
NET POSITION				
Restricted	-	-	-	-
TOTAL NET POSITION	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 88,254</u>	<u>\$ 237,133</u>	<u>\$ 265,223</u>	<u>\$ 60,164</u>
STUDENT ACTIVITY FUND - FUND 50				
ASSETS				
Cash and cash equivalents	\$ 422,327	\$ 682,220	\$ 672,482	\$ 432,065
TOTAL ASSETS	<u>\$ 422,327</u>	<u>\$ 682,220</u>	<u>\$ 672,482</u>	<u>\$ 432,065</u>
LIABILITIES AND NET POSITION				
LIABILITIES				
Other current liabilities	\$ 422,327	\$ 682,220	\$ 672,482	\$ 432,065
TOTAL LIABILITIES	<u>422,327</u>	<u>682,220</u>	<u>672,482</u>	<u>432,065</u>
NET POSITION				
Restricted	-	-	-	-
TOTAL NET POSITION	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 422,327</u>	<u>\$ 682,220</u>	<u>\$ 672,482</u>	<u>\$ 432,065</u>
TOTAL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 510,581	\$ 919,353	\$ 937,705	\$ 492,229
TOTAL ASSETS	<u>\$ 510,581</u>	<u>\$ 919,353</u>	<u>\$ 937,705</u>	<u>\$ 492,229</u>
LIABILITIES AND NET POSITION				
LIABILITIES				
Other current liabilities	\$ 510,581	\$ 919,353	\$ 937,705	\$ 492,229
TOTAL LIABILITIES	<u>510,581</u>	<u>919,353</u>	<u>937,705</u>	<u>492,229</u>
NET POSITION				
Restricted	-	-	-	-
TOTAL NET POSITION	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 510,581</u>	<u>\$ 919,353</u>	<u>\$ 937,705</u>	<u>\$ 492,229</u>

WEST CHESTER AREA SCHOOL DISTRICT

STATISTICAL SECTION



STATISTICAL SECTION

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

Contents	Pages
Financial Trends	68-74
<i>These schedules contain selected information from current and previous years' financial statements to allow users to assess financial trends.</i>	
Revenue Capacity	75-80
<i>These schedules contain information useful in assessing the District's ability to raise own-source revenue.</i>	
Debt Capacity	81-84
<i>These schedules contain information useful in assessing the District's ability to afford the existing debt as well as the District's ability to issue new debt.</i>	
Demographic and Economic Information	85-87
<i>These schedules contain information about the socio-economic environment within which the District's financial activities take place.</i>	
Operating Information	88-92
<i>These schedules contain information about the size of the District's workforce, the services it provides in relation to other service providers in the area and District's facilities.</i>	

WEST CHESTER AREA SCHOOL DISTRICT

FINANCIAL TRENDS



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

Fiscal Year Ending June 30,	2007	2008	2009	2010	2011	2012	2013	2014	2015 *	2016 *
Governmental Activities										
Net investment in capital assets	3,547,104	6,429,491	9,418,873	8,903,159	7,083,089	8,057,190	5,876,233	7,710,407	20,989,220	11,063,839
Restricted: Capital Projects	-	16,378,062	13,811,178	14,641,919	14,506,078	14,329,759	15,646,701	17,672,551	22,203,300	27,440,218
Unrestricted	24,260,111	5,308,888	8,050,934	4,014,353	15,606,135	21,770,088	30,867,282	34,101,596	(234,457,232)	(235,432,024)
Net Position Governmental Activities	27,807,215	28,116,441	31,280,985	27,559,431	37,195,302	44,157,037	52,390,216	59,484,554	(191,264,712)	(196,927,967)
Business-Type Activities										
Net investment in capital assets	85,434	61,439	129,768	82,865	184,236	171,996	169,778	224,324	297,638	402,386
Unrestricted	664,896	774,183	997,558	92,273	1,017,896	1,155,906	1,179,940	1,088,267	1,110,539	1,042,569
Net Position Business Type Activities	750,330	835,622	1,127,326	175,138	1,202,132	1,327,902	1,349,718	1,312,591	1,408,177	1,444,955
Total Primary Government										
Net investment in capital assets	3,632,538	6,490,930	9,548,641	8,986,024	7,267,325	8,229,186	6,046,011	7,934,731	21,286,858	11,466,225
Restricted: Capital Projects	-	16,378,062	13,811,178	14,641,919	14,506,078	14,329,759	15,646,701	17,672,551	22,203,300	27,440,218
Unrestricted	24,925,007	6,083,071	9,048,492	4,106,626	16,624,031	22,925,994	32,047,222	35,189,863	(233,346,693)	(234,389,455)
Net Position Primary Government	28,557,545	28,952,063	32,408,311	27,734,569	38,397,434	45,484,939	53,739,934	60,797,145	(189,856,535)	(195,483,012)

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

Source: District Audited Financial Statements

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

Fiscal Year Ending June 30,	2007	2008	2009	2010	2011	2012	2013	2014	2015 *	2016 *
EXPENSES										
Governmental Activities										
Instruction	95,791,662	103,397,524	103,973,612	113,068,220	117,972,385	119,941,565	121,882,872	121,627,033	133,218,154	144,772,158
Instructional Student Support	12,481,237	13,064,208	13,634,029	15,022,492	15,740,734	14,597,033	14,429,547	15,311,671	16,718,808	17,710,876
Administrative & Financial Support Services	13,664,819	14,060,374	14,390,496	14,429,452	13,956,105	14,211,207	14,417,208	15,643,360	17,552,768	18,127,334
Operation & Maintenance of Plant Services	16,260,118	14,830,364	16,604,260	19,486,401	17,729,991	15,529,375	16,984,316	18,309,057	17,447,190	17,439,654
Pupil Transportation	11,809,273	12,846,908	13,219,823	13,674,801	13,469,612	13,365,853	13,208,001	13,420,543	13,850,307	14,042,517
Student Activities	3,814,684	4,028,516	4,145,743	4,237,269	4,055,872	4,095,132	4,147,431	4,377,690	4,855,516	5,132,865
Community Services	76,445	81,960	122,164	125,654	127,041	115,730	145,929	116,354	140,742	142,350
Interest on Long Term Debt	16,367,340	13,695,699	13,361,141	13,636,798	12,076,323	11,156,020	9,722,107	10,397,433	8,566,732	8,945,807
Unallocated Depreciation Expense	7,263,812	9,898,713	12,484,452	-	-	-	-	-	-	-
Total Governmental Activities	177,529,390	185,904,266	191,935,720	193,681,087	195,128,063	193,011,915	194,937,411	199,203,141	212,350,217	226,313,561
Business Type Activities										
Food Service	3,011,231	3,082,865	3,171,794	3,149,556	3,224,517	3,313,442	3,390,811	3,493,078	3,182,033	3,229,852
TOTAL PRIMARY GOVERNMENT ACTIVITIES	180,540,621	188,987,131	195,107,514	196,830,643	198,352,580	196,325,357	198,328,222	202,696,219	215,532,250	229,543,413
PROGRAM REVENUE										
Governmental Activities										
Charges for Service										
Instruction	368,684	405,167	430,893	516,690	759,951	846,715	726,912	437,675	362,760	542,986
Operation & Maintenance of Plant Services	32,299	28,234	32,844	38,933	199,984	220,596	298,044	332,728	347,233	402,308
Student Activities	146,031	137,451	118,783	120,723	119,438	123,369	413,737	419,389	423,407	430,050
Operating Grants and Contributions	21,957,660	23,277,208	22,035,332	22,493,608	22,377,251	22,238,269	23,107,309	23,727,227	26,309,774	27,743,196
Total Governmental Program Revenue	22,504,674	23,848,060	22,617,852	23,169,954	23,456,624	23,428,949	24,546,002	24,917,019	27,443,174	29,118,540
Business Type Activities										
Charges for Services	2,531,512	2,597,941	2,704,187	2,624,830	2,511,962	2,604,560	2,549,584	2,549,726	2,335,418	2,293,122
Operating Grants and Contributions	504,267	528,494	600,091	663,190	786,659	832,383	861,272	904,898	940,701	973,508
Total Business Type Program Revenues	3,035,779	3,126,435	3,304,278	3,288,020	3,298,621	3,436,943	3,410,856	3,454,624	3,276,119	3,266,630
TOTAL PRIMARY GOVERNMENT REVENUES	25,540,453	26,974,495	25,922,130	26,457,974	26,755,245	26,865,892	27,956,858	28,371,643	30,719,293	32,385,170
NET REVENUES (EXPENSES)										
Governmental Activities	(155,024,716)	(162,056,206)	(169,317,868)	(170,511,133)	(171,671,439)	(169,582,966)	(170,391,409)	(174,286,122)	(184,907,043)	(197,195,021)
Business Type Activities	24,548	43,570	132,484	138,464	74,104	123,501	20,045	(38,454)	94,086	36,778
TOTAL PRIMARY GOVERNMENT NET REVENUES	(155,000,168)	(162,012,636)	(169,185,384)	(170,372,669)	(171,597,335)	(169,459,465)	(170,371,364)	(174,324,576)	(184,812,957)	(197,158,243)
GENERAL REVENUES										
Property Taxes, Levied for General Purpose	120,239,104	126,716,391	132,999,091	141,802,111	145,008,645	144,010,689	147,198,156	147,270,504	151,649,702	155,710,300
Taxes Levied for Specific Purpose	21,355,282	20,769,459	19,619,521	19,373,245	19,764,970	21,581,847	22,388,938	23,154,723	23,565,368	24,321,396
Grants, Entitlements, and Contributions	8,036,082	8,272,720	12,382,310	12,479,116	12,573,663	10,654,228	10,472,277	10,652,411	10,859,971	10,928,639
Not Restricted to Specific Programs	6,141,668	5,201,672	2,459,306	429,007	135,772	196,339	155,424	137,174	258,288	392,047
Investment Earnings	-	-	-	-	-	9,929	5,300	20,608	70,058	-
Gain on Sale of Asset	-	-	-	-	-	93,938	496,037	146,367	132,287	179,384
Other	9,580	122,733	44,093	152,932	103,408	93,938	496,037	146,367	132,287	179,384
Total General Revenues	155,781,716	161,082,975	167,504,321	174,236,411	177,586,458	176,546,970	180,716,132	181,381,787	186,535,674	191,531,766
Change in Net Position	781,548	(929,661)	(1,681,063)	3,863,742	5,989,123	7,087,505	10,344,768	7,057,211	1,722,717	(5,626,477)

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

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

Fiscal Year Ending June 30,	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Unreserved - Designated for PSERS	-	-	-	1,200,000	-	-	-	-	-	-
Unreserved - Undesignated	9,631,412	7,494,323	7,861,943	10,795,399	-	-	-	-	-	-
*Non-Spendable	-	-	-	-	-	1,277,682	1,918,300	3,482,456	4,128,770	2,066,625
*Restricted	-	-	-	-	-	1,892,658	1,894,735	-	-	-
*Committed	-	-	-	-	-	-	-	-	-	-
Pension	-	-	-	-	1,200,000	3,700,000	5,000,000	4,500,000	2,117,000	2,117,000
Healthcare	-	-	-	-	1,558,100	2,677,700	4,171,100	4,856,190	4,899,442	4,159,909
*Assigned	-	-	-	-	95,549	124,160	102,739	119,782	115,700	89,487
Athletic activities	-	-	-	-	-	3,349,200	6,830,500	5,951,300	5,646,426	5,471,005
Tax Stabilization	-	-	-	-	-	-	-	-	-	-
*Unassigned	-	-	-	-	15,609,035	12,354,604	12,454,515	14,441,344	14,758,221	14,856,952
Total General Fund Fund Balance	9,631,412	7,494,323	7,861,943	11,995,399	18,462,684	25,376,004	32,371,889	33,351,072	31,665,559	28,760,978
All other funds										
Reserved - Capital Projects Fund	-	20,341,092	6,965,394	8,316,802	-	-	-	-	-	-
Reserved - Capital Reserve Fund	-	16,378,062	14,641,919	13,811,178	-	-	-	-	-	-
Reserved - Non-Major Funds	-	307,300	-	-	-	-	-	-	-	-
Unreserved - Capital Projects Fund	36,170,115	-	-	-	-	-	-	-	-	-
Unreserved - Capital Reserve Fund	16,813,479	-	-	-	-	-	-	-	-	-
Unreserved - Debt Service Fund	568,754	-	-	-	-	-	-	-	-	-
Unreserved - Non-Major Funds	31,874	62,758	49,596	75,606	-	-	-	-	-	-
*Non-Spendable - Capital Reserve Fund	-	-	-	-	-	-	-	-	285,000	368,350
*Restricted - Capital Projects Fund	-	-	-	-	5,838,643	793,496	7,119,899	8,376,597	-	4,038,838
*Restricted - Capital Reserve Fund	-	-	-	-	14,506,078	14,329,759	15,646,701	17,672,551	21,918,300	27,071,868
*Assigned - Capital Projects Fund	-	-	-	-	94,700	-	-	-	-	-
*Unassigned - Capital Projects Fund	-	-	-	-	-	-	-	-	(3,451,176)	-
Total Other Funds	53,584,222	37,089,212	21,656,909	22,203,586	20,439,421	15,123,255	22,766,600	26,049,148	18,752,124	31,479,056
TOTAL FUND BALANCE	63,215,634	44,583,535	29,518,852	34,198,985	38,902,105	40,499,259	55,138,489	59,400,220	50,417,683	60,240,034

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

Source: Districts Audited Financial Statements

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

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Governmental Fund Revenue										
Local Source	149,461,478	154,427,527	156,866,132	163,508,932	165,091,475	167,600,895	171,550,034	172,123,685	176,877,190	182,144,526
State Source	26,079,099	27,227,734	29,959,702	28,990,224	28,254,872	28,615,828	29,530,022	31,717,857	34,209,926	35,806,499
Federal Source	2,649,950	2,991,122	3,130,016	4,604,950	6,866,476	4,271,701	4,048,275	2,661,783	2,959,820	2,865,335
Total Governmental Revenues	178,190,527	184,646,383	189,955,850	197,104,106	200,212,823	200,488,424	205,128,331	206,503,325	214,046,936	220,816,360
Governmental Expenditures										
Instruction	95,704,318	103,563,832	104,030,587	105,860,030	109,936,321	110,622,632	114,302,116	117,342,618	124,056,139	132,490,382
Support Services	53,260,308	56,497,225	58,954,157	58,754,657	56,682,210	54,893,514	56,041,159	57,581,176	59,939,165	61,755,726
Noninstructional Services	3,891,130	4,110,476	4,135,962	4,062,167	3,998,182	4,050,198	4,159,666	4,237,967	4,610,182	4,803,105
Facilities Acquisition Construction & Improvement	23,032,860	16,104,197	13,434,065	9,175,433	3,979,389	5,725,834	15,543,569	11,335,852	13,509,139	8,309,294
Debt Service Principal	7,983,000	10,394,000	11,216,000	12,533,569	9,394,000	12,194,000	11,137,000	12,602,000	11,620,000	8,176,000
Debt Service Interest	14,273,768	13,616,612	13,232,428	12,419,770	12,886,339	11,591,540	10,759,024	11,051,792	9,543,869	10,174,433
Bond Issuance Costs	-	-	-	-	-	-	-	-	56,166	464,253
Total Governmental Expenditures	198,145,384	204,286,342	205,003,199	202,805,626	196,876,441	199,077,718	211,942,534	214,151,405	223,334,660	226,173,193
Excess (Deficiency) of Revenues Over (Under) Expenditures	(19,954,857)	(19,639,959)	(15,047,349)	(5,701,520)	3,336,382	1,410,706	(6,814,203)	(7,648,080)	(9,287,724)	(5,356,833)
Governmental Other Financing Sources										
Proceeds from Long-Term Debt	70,707,570	-	10,710,364	32,691,410	35,730,000	9,585,000	68,545,000	42,890,000	65,485,000	61,900,000
Interfund Transfers In	4,874,876	5,181,698	-	1,340,022	2,676,801	1,500,000	3,806,560	4,599,268	8,645,910	9,125,784
Other Financing Sources	-	-	-	5,057	2,966,845	76,310	8,688,471	4,519,556	5,861,632	8,300,311
Debt Service Refunded	(60,070,402)	(5,181,698)	(10,648,480)	(22,310,000)	(37,330,000)	(9,484,197)	(56,196,858)	(35,443,421)	(71,069,921)	(60,135,702)
Sale of Assets	-	-	-	-	-	9,929	5,300	26,540	94,983	5,077,718
Refund of Prior Year Revenues	-	-	-	-	-	(36,146)	-	(97,744)	(82,898)	-
Refund of Prior Year Expenditures	(12,190)	(140)	(79,218)	(4,813)	(107)	35,552	411,520	14,880	16,391	36,857
Interfund transfers Out	(4,874,876)	-	-	(1,340,022)	(2,676,801)	(1,500,000)	(3,806,560)	(4,599,268)	(8,645,910)	(9,125,784)
Total Governmental Other Financing Sources	10,624,978	(140)	(17,334)	10,381,654	1,366,738	186,448	21,453,433	11,909,811	305,187	15,179,184
NET CHANGE IN GOVERNMENTAL FUND BALANCE	(9,329,879)	(19,640,099)	(15,064,683)	4,680,134	4,703,120	1,597,154	14,639,230	4,261,731	(8,982,537)	9,822,351
GOVMTL FUND BALANCE, BEGINNING OF YEAR	72,545,512	63,215,633	44,583,534	29,518,851	34,198,985	38,902,105	40,499,259	55,138,489	59,400,220	50,417,683
Prior Period Adjustment	-	1,008,000	-	-	-	-	-	-	-	-
GOVERNMENTAL FUND BALANCE, END OF YEAR	63,215,633	44,583,534	29,518,851	34,198,985	38,902,105	40,499,259	55,138,489	59,400,220	50,417,683	60,240,034
Debt Service as % of Expenditures	4.0%	5.1%	5.5%	6.2%	4.8%	6.1%	5.3%	5.9%	5.2%	3.8%

Source: District's Audited Financial Statements

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

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>
Local	145,195.0	150,741.3	154,578.4	161,942.4	165,072.4	167,580.4	171,524.8	172,073.7	176,784.4	182,084.7
Real Estate	117,752.5	123,662.8	129,795.3	138,331.6	141,220.9	140,718.6	143,413.1	143,904.6	148,403.7	152,709.9
Current	115,783.1	121,988.6	128,291.6	136,999.8	140,160.5	139,648.0	141,839.9	143,225.1	147,447.7	151,929.0
Interim	1,969.4	1,674.2	1,503.6	1,331.8	1,060.4	1,070.6	1,573.2	679.5	956.0	780.9
Earned Income	16,889.7	16,905.6	16,764.4	16,458.0	17,080.7	18,095.8	18,691.5	19,460.5	19,360.0	20,118.5
Real Estate Transfer	4,261.7	3,665.9	2,666.5	2,706.8	2,466.0	3,260.7	3,473.6	3,724.7	4,145.2	4,207.4
Other Taxes PURTA	203.9	198.0	188.6	208.4	218.3	225.3	223.8	210.8	214.7	198.3
Delinquent Taxes	2,442.6	2,810.3	2,944.9	3,316.2	2,805.7	3,816.1	4,069.9	3,365.9	3,246.0	3,000.3
Investment Earnings	3,234.1	3,051.1	1,674.8	288.0	118.4	173.6	129.8	71.0	165.5	332.2
Gate Receipts	-	-	-	-	119.4	123.4	122.9	130.7	136.3	152.9
Other	410.5	447.6	544.0	633.4	1,043.0	1,166.8	1,400.2	1,205.5	1,113.0	1,365.2
State	26,115.3	27,318.3	30,058.0	28,990.2	28,254.9	28,615.9	29,520.4	31,717.8	34,209.9	35,806.5
Student Subsidies	20,481.7	21,116.3	24,768.9	23,568.9	22,424.6	21,754.7	21,204.2	21,371.8	21,729.3	21,234.5
Basic Instruction	6,710.6	6,844.8	7,050.1	6,334.1	6,029.5	7,050.1	7,047.0	7,247.3	7,239.7	7,573.2
Special Education	5,004.1	5,020.6	5,087.5	5,068.4	5,080.8	5,146.9	5,355.9	5,311.1	5,413.4	5,801.6
Tuition Private Home Placement	71.3	73.6	87.4	50.6	-	17.6	121.7	113.9	111.5	179.4
Transportation	4,976.0	4,371.1	4,828.3	4,565.1	4,434.4	4,295.1	3,710.0	3,750.5	3,637.2	3,671.8
Medical, Dental & Nurse	305.6	296.3	295.6	288.7	273.8	273.9	261.5	256.8	222.3	253.9
Rent	1,334.2	1,437.4	1,519.5	1,544.7	1,074.7	1,224.8	1,151.2	1,160.4	1,181.7	-
Charter Schools	1,294.4	1,337.4	1,641.1	1,558.4	1,478.9	-	-	-	-	-
Ready To Learn Block Grants / Accountability Grants	339.8	348.3	343.8	343.8	322.4	126.6	126.7	126.7	303.2	399.1
Property Tax Relief	-	-	3,592.8	3,734.6	3,708.3	3,604.0	3,425.3	3,405.1	3,620.3	3,355.4
Other	445.7	1,386.8	322.7	80.5	21.9	15.7	4.9	-	-	-
Teacher Subsidies	5,633.6	6,202.0	5,289.1	5,421.3	5,830.2	6,861.2	8,316.2	10,346.1	12,480.7	14,572.0
Social Security	3,012.1	3,154.7	3,232.9	3,278.1	3,319.2	3,173.0	3,084.5	3,148.8	3,163.7	3,194.0
Retirement	2,621.5	3,047.3	2,056.1	2,143.2	2,511.1	3,688.2	5,231.7	7,197.3	9,317.0	11,378.0
Federal	3,878.6	4,231.6	4,438.9	5,901.2	6,866.5	4,121.7	4,059.2	2,661.8	2,959.8	2,865.3
Title I	1,523.7	1,998.5	1,492.4	2,013.5	1,675.2	1,341.4	1,752.2	459.6	818.0	828.9
Title II	357.0	310.3	327.8	182.4	416.8	311.2	249.0	199.4	293.9	374.0
Basic Education ARRA Funds	-	-	-	852.0	834.0	-	-	-	-	-
IDEA - ARRA funds	-	-	418.0	669.0	820.7	-	-	-	-	-
Ed Jobs - ARRA	-	-	-	-	494.1	7.3	0.4	-	-	-
Title I - ARRA	-	-	-	-	471.8	249.3	-	-	-	-
IDEA	1,228.5	1,240.5	1,308.9	1,296.3	1,235.6	1,310.3	1,282.4	1,154.7	1,215.8	1,199.7
MA Direct Services/Time Study	594.5	562.8	760.3	722.4	768.6	773.4	659.4	722.7	516.0	305.5
Other	174.9	119.5	131.5	165.6	149.6	128.8	115.8	125.5	116.0	157.2
Local Taxes & Subsidies	175,188.9	182,291.3	189,075.3	196,833.8	200,193.7	200,318.0	205,104.4	206,453.4	213,954.1	220,756.5

Source: District Budget Control Forecast Model

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

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Staff	110,044.9	115,830.4	117,168.2	118,858.8	121,408.2	119,821.3	122,215.9	128,483.3	134,876.4	141,123.7
Total Salaries	81,915.7	85,629.5	87,892.4	89,094.4	90,677.4	85,915.5	84,930.4	86,263.3	87,846.4	88,923.5
Administration										
Regular Salaries	6,358.7	6,980.7	7,402.0	7,449.8	7,028.5	6,903.0	7,328.4	7,337.7	7,644.7	8,027.5
Teachers										
Regular Salaries	57,724.3	59,946.7	61,097.6	62,620.9	64,228.0	61,569.9	60,035.7	60,830.1	61,479.2	61,938.5
Extra Duty Payments	1,028.0	1,197.0	1,118.7	899.6	843.2	840.2	992.6	1,007.6	1,059.6	1,161.3
Sabbatical Payments	301.8	43.9	103.9	129.9	168.7	88.4	179.1	35.2	125.0	304.5
Subject Chair Payments	392.3	412.6	437.5	429.0	420.8	389.4	348.5	346.7	365.9	365.4
Severance Payments	304.2	245.9	245.0	288.8	356.2	158.5	144.4	380.6	209.1	142.1
Supplemental Contracts	1,980.1	2,033.1	2,124.6	2,040.0	2,014.2	1,938.0	1,899.8	1,948.3	2,028.1	2,051.4
Total Teachers	61,730.8	63,879.2	65,127.2	66,408.3	68,031.1	64,984.4	63,600.1	64,548.5	65,267.0	65,963.1
Technical										
Regular Salaries	2,500.4	2,749.5	2,765.7	2,732.6	3,087.5	2,842.4	2,928.1	3,022.6	3,502.0	3,679.7
Office Clerical										
Regular Salaries	5,939.6	6,292.9	6,629.3	6,531.6	6,665.1	6,068.4	5,860.8	5,932.0	6,179.8	6,058.3
Crafts and Trades										
Regular Salaries	5,386.2	5,727.1	5,968.2	5,972.0	5,865.2	5,117.3	5,213.0	5,422.6	5,252.9	5,194.9
Benefits										
Medical	11,744.7	13,233.2	13,941.8	14,400.0	14,425.3	15,607.6	16,558.1	17,768.2	17,621.6	18,953.6
Dental	1,398.9	1,504.3	1,559.6	1,418.4	1,339.6	1,306.8	1,236.8	1,108.5	1,180.2	1,259.4
Vision	154.0	161.1	167.6	153.2	140.7	140.4	168.0	113.1	195.9	176.7
Prescription	3,473.2	3,099.7	3,223.6	3,333.9	3,611.3	4,100.2	4,037.1	4,060.6	5,593.9	5,041.2
Social Security	6,095.4	6,380.7	6,535.8	6,603.7	6,667.0	6,369.0	6,239.8	6,322.0	6,387.7	6,451.4
Retirement	5,209.4	6,092.4	4,111.3	4,231.4	5,067.7	7,345.7	10,373.6	14,359.6	18,603.4	22,726.1
Tuition Reimbursement	946.3	887.1	977.5	1,301.5	1,113.7	728.0	733.3	610.0	360.4	196.9
Life & Disability	518.6	480.6	538.9	417.1	683.0	397.0	263.1	307.0	417.8	321.1
Wrks Comp/Unemply/Other	731.3	728.5	911.1	708.8	649.6	720.5	654.3	800.6	823.2	1,461.8
Total Benefits	30,271.8	32,567.6	31,967.2	32,567.9	33,697.9	36,715.2	40,264.1	45,449.6	51,184.0	56,588.2
(Less) cost sharing	(2,142.6)	(2,366.6)	(2,691.4)	(2,803.6)	(2,967.1)	(2,809.4)	(2,978.7)	(3,229.5)	(4,154.0)	(4,387.9)
Net Benefits	28,129.2	30,201.0	29,275.8	29,764.4	30,730.8	33,905.8	37,285.4	42,220.0	47,030.0	52,200.2
Prof. & Tech. Services	9,696.0	10,700.1	12,146.9	11,585.0	12,080.2	11,987.6	13,149.7	13,396.4	14,064.2	16,811.9
Substitute Service	1,732.4	1,676.0	1,668.6	1,466.8	1,457.5	1,500.1	1,447.7	1,350.9	1,365.9	1,926.4
Contracted Therapeutic Staff	523.9	682.3	1,031.9	857.8	758.3	620.8	666.7	860.2	1,299.2	1,571.8
Contracted Aides	363.6	473.9	326.3	442.5	358.5	679.2	831.6	1,123.4	1,138.8	1,496.2
CCIU - Special Ed Programs	2,022.9	2,242.6	2,538.9	3,099.7	3,072.8	3,235.6	3,208.9	3,455.2	3,249.5	3,603.2
Occupation/Physical Therapy	930.1	966.3	984.9	925.1	919.7	975.0	1,087.4	1,004.4	982.0	1,060.0
Due Process Hearings	332.4	507.9	586.9	475.5	882.8	694.8	738.2	603.3	496.1	948.7
Early Intervention	224.6	196.2	366.4	369.0	255.0	263.1	353.7	260.5	276.5	365.8
Extended School Year	395.6	410.9	497.7	620.4	626.0	447.2	564.7	573.1	502.4	735.9
Alternative Ed - Special Ed	745.1	879.9	1,077.3	1,027.4	1,241.9	949.2	1,378.6	1,212.5	1,412.1	1,585.5
Alternative Education - Reg	235.5	251.3	329.9	191.3	258.9	410.1	419.4	426.5	745.9	727.5
Tax Collection	545.9	543.3	513.0	557.0	508.9	535.9	627.7	669.7	646.0	672.8
Legal	228.2	255.0	410.9	279.9	326.8	308.4	416.2	441.0	365.2	354.2
Other	1,415.8	1,614.5	1,814.2	1,272.6	1,413.1	1,368.2	1,408.9	1,415.8	1,584.6	1,763.9
Purchased Property Services	4,455.0	4,831.5	4,570.1	4,306.0	3,909.9	3,535.9	3,616.2	3,365.5	3,299.2	3,447.5
Electricity	2,631.3	2,996.8	2,740.3	2,538.2	2,247.6	1,875.7	1,983.2	1,696.4	1,544.9	1,621.8
Water/Sewer	345.5	403.5	427.2	421.2	486.6	473.7	511.6	505.4	521.0	502.9
Trash Removal	136.0	155.0	148.2	122.1	122.1	122.0	91.8	95.2	89.8	85.8
Office Rental	77.9	0.8	101.6	96.9	123.1	121.3	123.9	103.3	134.5	137.6
Other	1,264.3	1,275.4	1,152.8	1,127.6	930.5	943.2	905.7	965.1	1,009.0	1,099.3

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

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>
(continued)										
Other Services	21,743.0	23,873.6	25,095.4	25,253.3	25,938.2	26,532.5	27,473.0	26,284.5	27,466.0	29,050.4
Charter Schools	4,455.5	5,470.3	5,905.0	6,461.8	6,558.3	7,069.2	8,031.7	8,114.0	8,079.9	9,455.1
Tuition: Special Education	2,195.6	2,247.9	2,472.5	2,132.0	2,418.5	2,645.8	2,548.0	2,376.4	2,651.9	2,462.8
Tuition: CAT	1,123.7	1,187.6	1,199.5	1,382.1	1,637.5	1,683.4	1,658.3	1,828.8	2,262.4	2,597.2
Tuition: Other	106.8	95.8	104.6	102.8	248.2	443.4	419.5	200.7	152.5	130.7
Bussing: Public Schools	3,907.0	4,436.4	4,750.8	4,628.8	4,861.9	4,470.0	4,519.8	4,413.3	4,637.8	4,905.4
Bussing: Non-Public	4,801.5	4,626.8	4,983.6	4,594.4	4,655.3	4,465.9	4,395.9	4,530.5	4,358.6	4,424.3
Bussing: Special Ed	2,836.3	3,466.8	3,153.5	3,213.8	3,089.7	3,579.6	3,570.3	3,370.2	3,675.5	3,495.5
Bussing: Extracurricular	334.0	260.1	384.9	281.4	333.5	274.3	291.1	284.6	325.5	316.3
Insurance	436.5	461.9	464.0	461.4	394.2	381.8	416.9	478.5	462.6	492.8
Telephone/Postage	561.0	527.1	643.0	375.3	448.7	497.1	462.1	390.2	501.0	489.4
Other Services - Glen Mills	502.8	640.2	614.1	1,263.0	1,026.8	714.3	866.0	-	-	-
Other	482.3	452.7	419.9	356.5	265.7	307.7	293.4	297.3	358.3	280.9
Supplies	5,025.7	6,404.7	6,630.3	5,689.8	4,711.7	4,708.2	4,758.0	4,724.8	5,066.2	4,717.5
Heating Fuel	1,235.9	1,060.1	1,788.1	1,097.4	1,123.8	780.8	695.0	978.8	876.5	620.2
Other Operations/Maint Supplies	819.5	925.6	789.5	807.8	603.2	670.3	735.4	777.4	648.7	652.5
Educational	2,010.9	2,591.9	2,160.2	2,149.7	1,843.8	2,295.0	2,078.2	1,651.5	1,881.1	1,925.2
Curriculum Proposals	396.7	1,148.5	1,373.4	850.7	622.3	455.0	793.5	885.1	1,230.0	1,123.3
Educational/Admin Software	353.1	464.8	314.6	610.2	347.1	410.3	356.9	327.0	409.9	394.3
Administration/Business	199.8	199.5	186.4	145.8	148.0	77.1	99.0	104.9	20.1	2.1
Other	9.8	14.3	18.1	28.2	23.5	19.7	-	-	-	-
Other Objects	283.2	351.4	262.9	258.0	226.5	344.7	(126.6)	359.6	534.1	367.2
Dues and Fees - Athletics	-	-	-	-	99.5	94.8	144.3	113.7	140.4	179.1
Property	1,748.0	2,335.8	1,133.0	972.9	1,837.1	1,117.4	1,313.7	511.4	455.8	542.9
Technology Equipment	403.0	1,290.0	282.5	-	-	-	-	-	-	-
G/F Maint Projects	-	-	148.8	389.9	687.5	531.7	650.3	-	-	-
Other Equipment	1,345.0	1,045.8	701.7	583.0	1,149.6	585.7	663.4	511.4	455.8	542.9
Debt Service	19,825.5	20,106.0	21,626.3	24,436.8	21,236.6	23,773.0	21,896.0	23,653.8	21,163.9	18,350.4
Bond payments	19,825.5	20,106.0	21,626.3	24,436.8	21,236.6	23,773.0	21,896.0	23,653.8	21,163.9	18,350.4
TOTAL EXPENSE	172,821.4	184,433.6	188,633.1	191,360.5	191,447.9	191,915.4	194,440.2	200,892.9	207,066.3	214,590.7

Source: District Budget Control Forecast Model

WEST CHESTER AREA SCHOOL DISTRICT

REVENUE CAPACITY



WEST CHESTER AREA SCHOOL DISTRICT
General Fund - Most Significant Local Revenue Sources
 (Modified accrual method of accounting)

Fiscal Year	Millage Rate	Current Real Estate Taxes	Interim Real Estate Taxes	Delinquent Real Estate Taxes	Act 511 Taxes *	Other Local Revenues	Total Local Revenues
2006-07	15.16	115,783,148	1,969,358	2,442,606	21,151,384	3,884,889	145,231,385
2007-08	15.79	121,988,633	1,674,192	2,810,278	20,571,497	3,792,586	150,837,186
2008-09	16.85	128,291,632	1,503,635	2,944,871	19,430,906	2,499,921	154,670,964
2009-10	17.85	136,999,771	1,331,749	3,316,209	19,164,815	1,129,737	161,942,281
2010-11	18.36	140,160,462	1,060,391	2,805,694	19,546,706	1,499,147	165,072,400
2011-12	18.36	139,648,021	1,070,637	3,816,141	21,356,508	1,689,127	167,580,434
2012-13	18.67	141,839,871	1,573,196	4,069,877	22,165,152	1,878,001	171,526,098
2013-14	18.67	143,225,113	679,486	3,365,905	23,185,205	1,603,099	172,058,808
2014-15	19.21	147,447,717	955,973	3,246,013	23,505,223	1,629,472	176,784,398
2015-16	19.58	151,929,043	780,930	3,000,329	24,325,967	2,048,425	182,084,694

* Act 511 Taxes include Earned Income and Real Estate Transfer Taxes

Source: District Annual Financial Report (AFR)

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

LAND USE DESCRIPTION	2006-07 #	Assessment	2007-08 #	Assessment	2008-09 #	Assessment	2009-10 #	Assessment	2010-11 #	Assessment
	of Parcels	Total	of Parcels	Total	of Parcels	Total	of Parcels	Total	of Parcels	Total
CHESTER COUNTY										
Not Identified	97	3,772,803	188	10,326,250	21	3,045,790	-	-	1	47,820
Commercial Properties	1,571	1,335,505,835	1,572	1,348,537,398	1,593	1,389,076,248	1,632	1,408,305,033	1,652	1,382,775,453
Farm Properties	72	23,679,630	73	23,627,660	73	23,523,120	72	23,568,250	72	23,464,210
Industrial Properties	90	151,185,990	88	149,886,680	89	150,726,520	90	151,028,920	90	151,052,080
Residential Properties	29,528	5,884,835,936	29,611	5,928,690,156	29,676	5,965,419,357	29,778	6,013,563,931	29,838	6,012,588,031
Vacant Land	959	69,842,310	981	69,079,400	1,088	68,860,100	1,046	64,943,920	1,061	59,182,350
TOTAL CHESTER COUNTY	32,317	7,468,822,504	32,513	7,530,147,544	32,540	7,600,651,135	32,618	7,661,410,054	32,714	7,629,109,944
DELAWARE COUNTY										
Commercial/Industrial	7	3,886,900	7	3,886,900	14	8,533,463	15	8,904,953	12	6,868,373
Residential/Farms/Vacant Land	2,067	589,333,521	2,067	623,278,141	2,179	633,531,318	2,187	637,527,895	2,190	630,726,093
TOTAL DELAWARE COUNTY	2,074	593,220,421	2,074	627,165,041	2,193	642,064,781	2,202	646,432,848	2,202	637,594,466
GRAND TOTAL	34,391	8,062,042,925	34,587	8,157,312,585	34,733	8,242,715,916	34,820	8,307,842,902	34,916	8,266,704,410

LAND USE DESCRIPTION	2011-12 #	Assessment	2012-13 #	Assessment	2013-14 #	Assessment	2014-15 #	Assessment	2015-16 #	Assessment
	of Parcels	Total	of Parcels	Total	of Parcels	Total	of Parcels	Total	of Parcels	Total
CHESTER COUNTY										
Not Identified	-	-	-	-	-	-	-	-	-	-
Commercial Properties	1,659	1,365,477,339	1,677	1,391,810,649	1,714	1,369,224,799	1,712	1,365,713,429	1,709	1,367,742,137
Farm Properties	70	22,838,800	70	22,769,440	68	22,066,740	68	22,066,740	69	22,703,280
Industrial Properties	89	150,689,470	89	148,943,570	88	146,750,180	88	145,936,270	87	145,405,235
Residential Properties	29,917	6,015,067,375	30,033	6,012,449,332	30,145	6,044,809,459	30,250	6,063,262,560	30,365	6,115,048,985
Vacant Land	1,044	69,623,000	1,308	55,913,330	1,162	50,755,900	1,163	49,319,210	1,090	47,541,320
TOTAL CHESTER COUNTY	32,779	7,623,695,984	33,177	7,631,886,321	33,177	7,633,607,078	33,281	7,646,298,209	33,320	7,698,440,957
DELAWARE COUNTY										
Commercial/Industrial	14	8,533,463	14	8,533,463	14	8,533,463	14	8,533,463	14	8,533,463
Residential/Farms/Vacant Land	2,190	628,332,131	2,189	629,392,646	2,193	629,105,934	2,192	633,891,761	2,194	638,801,396
TOTAL DELAWARE COUNTY	2,204	636,865,594	2,203	637,926,109	2,207	637,639,397	2,206	642,425,224	2,208	647,334,859
GRAND TOTAL	34,983	8,260,561,578	35,380	8,269,812,430	35,384	8,271,246,475	35,487	8,288,723,433	35,528	8,345,775,816

Source: County Land Use Code Report

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

As of June 30th	Market Value Chester County (000)	Market Value Delaware County (000)	Total Market Value (000)	Assessed Value (000)	Ratio of Market Value to Assessed Value
2005	7,866,747	492,988	8,359,734	8,062,043	104%
2006	9,008,526	582,243	9,590,769	8,157,313	118%
2007	9,086,864	610,170	9,697,034	8,242,716	118%
2008	10,393,941	674,163	11,068,104	8,307,843	133%
2009	10,480,758	671,018	11,151,776	8,266,704	135%
2010	11,334,739	690,551	12,025,290	8,260,562	146%
2011	11,311,170	682,225	11,993,395	8,269,812	145%
2012	11,830,153	706,388	12,536,541	8,271,246	152%
2013	11,841,643	705,298	12,546,941	8,288,723	151%
2014	12,049,694	736,705	12,786,399	8,345,776	153%

Source: State Tax Equalization Board

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

Chester County

Fiscal Year	West Chester Area School District	Chester County	Township of East Goshen				Township of West			Borough of West Chester
			East Bradford	Thornbury	West Goshen	Whiteland	Westtown			
2006-07	15.16	3.80	0.07	0.84	1.50	0.60	1.50	1.50	5.21	
2007-08	15.79	3.80	0.07	0.84	1.50	0.60	1.50	2.00	5.60	
2008-09	16.85	3.97	0.07	0.84	1.50	0.60	1.50	2.00	5.60	
2009-10	17.85	3.97	0.07	0.84	2.00	0.60	2.00	2.00	5.80	
2010-11	18.36	3.97	0.07	0.84	2.00	0.60	2.00	2.50	6.96	
2011-12	18.36	3.97	0.34	0.84	2.00	0.60	2.00	2.50	6.96	
2012-13	18.67	4.16	0.34	0.84	2.00	0.72	2.00	3.50	6.96	
2013-14	18.67	4.16	0.34	1.00	2.00	0.72	2.00	3.50	6.96	
2014-15	19.21	4.16	0.34	1.00	2.00	0.72	2.00	3.50	6.96	
2015-16	19.58	4.16	1.00	1.00	2.00	0.72	2.00	3.50	6.96	

Source: Chester County website

Delaware County

Fiscal Year	West Chester Area School District	Township of Thornbury	
		Delaware County	Township of Thornbury
2006-07	11.02	4.45	0.00
2007-08	11.87	4.45	0.00
2008-09	12.94	4.83	0.00
2009-10	14.16	4.83	0.00
2010-11	14.25	5.18	0.00
2011-12	14.22	5.18	0.00
2012-13	13.78	5.30	0.00
2013-14	13.62	5.45	0.00
2014-15	13.65	5.60	0.00
2015-16	13.91	5.60	0.00

Source: Delaware County website

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

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

Name	Township	Type of Property	2015-16			2006-07		
			Taxable Assessed Value	Percent of District's Total Value	Rank	Taxable Assessed Value	Percent of District's Total Value	Rank
Exton Square, Inc.	West Whiteland	Shopping Mall	78,683,200	0.94%	1	110,168,920	1.37%	1
QVC	West Goshen	Indust. Bldg./TV Shopping	35,696,530	0.43%	2	48,371,130	0.60%	2
Main Street at Exton	West Whiteland	Shopping Center	28,553,560	0.34%	3	31,509,660	0.39%	3
TRC Valley Creek Assoc.	West Whiteland	Business Complex	28,500,000	0.34%	4			
HCRI PA Properties	East Goshen	Senior Living Complex	22,849,280	0.27%	5			
Exton Crossing Apartments	West Whiteland	Apartment Complex	21,023,480	0.25%	6			
Whiteland Investors LP	West Whiteland	Apartment Complex	19,320,000	0.23%	7			
Hankin Family LTD Prtsp	East Goshen	Apartment Complex	17,328,750	0.21%	8	16,180,450	0.20%	9
Westtown Apartment	Westtown	Apartment Complex	16,636,690	0.20%	9	16,636,690	0.21%	7
Fern Hill LLC	West Goshen	Medical Complex	16,617,370	0.20%	10			
Exton Whiteland Dev. Co.	West Whiteland	Shopping Center				21,460,000	0.27%	4
National Properties	West Whiteland	Apartment Complex				21,023,480	0.26%	5
Whiteland Associates	West Whiteland	Shopping Center				19,320,000	0.24%	6
Hankin Group	West Whiteland	Apartment Complex				16,453,180	0.21%	8
Walmart & Sam's Club	West Whiteland	Shopping Center				13,929,200	0.17%	10
Total Assessed Value--Ten Largest Taxpayers			285,208,860			315,052,710		
Total District Assessed Value			8,345,775,816			8,062,042,925		

Source: District Fact Books

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

FISCAL YEAR	ASSESSED VALUATION	MILLS ⁽²⁾	ADJUSTED LEVY	CURRENT COLLECTION	
				AMOUNT ^{(1), (3)}	PERCENT
2006-07	8,062,042,925	15.16	119,874,910	115,783,148	96.6%
2007-08	8,157,312,585	15.79	126,309,274	121,988,633	96.6%
2008-09	8,242,715,916	16.85	136,344,630	131,884,468	96.7%
2009-10	8,307,842,902	17.85	145,858,549	140,734,362	96.5%
2010-11	8,266,704,410	18.36	149,229,022	143,868,716	96.4%
2011-12	8,260,561,578	18.36	149,159,276	143,252,119	96.0%
2012-13	8,269,812,430	18.67	150,508,760	145,265,121	96.5%
2013-14	8,271,246,475	18.67	151,204,093	146,630,222	97.0%
2014-15	8,288,723,433	19.21	155,654,493	151,068,019	97.1%
2015-16	8,345,775,816	19.58	159,721,081	155,284,474	97.2%

Source: District Tax Records

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

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

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

WEST CHESTER AREA SCHOOL DISTRICT

DEBT CAPACITY



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

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>
Total General Fund Revenues*	175,188,902	184,383,429	189,079,944	196,838,806	200,193,855	200,328,038	205,516,382	206,453,328	213,970,536	220,793,385
Less Required Deductions if included in total										
Rental and Sinking Fund Reimbursement	1,334,225	1,437,374	1,519,538	1,558,427	1,074,696	1,224,820	1,151,153	1,160,377	1,181,706	-
Sale of Property and Non-recurring revenue	-	-	10,364	5,057	-	-	973	-	-	-
Fund Transfer	-	2,086,849	-	-	-	-	-	-	-	-
Net Revenues	1,334,225	3,524,223	1,529,902	1,563,484	1,074,696	1,224,820	1,152,126	1,160,377	1,181,706	-
Borrowing Base	173,854,677	180,859,206	187,550,042	195,275,323	199,119,159	199,103,218	204,364,256	205,292,951	212,788,830	220,793,385
Multiplier	225%	225%	225%	225%	225%	225%	225%	225%	225%	225%
Total Nonelectoral Debt Limit	391,173,023	406,933,214	421,987,595	439,369,476	448,018,108	447,982,241	459,819,576	461,909,139	478,774,867	496,785,116
Less Amount Debt Applicable to Debt Limit	325,945,000	315,556,000	304,530,000	302,533,000	291,539,000	279,630,000	287,443,000	285,016,000	271,826,000	266,615,000
Total Debt Margin	65,228,023	91,377,214	117,457,595	136,836,476	156,479,108	168,352,241	172,376,576	176,893,139	206,948,867	230,170,116
Ratio of Debt Limit to Debt Margin	17%	22%	28%	31%	35%	38%	37%	38%	43%	46%

Source: District Annual Financial Statements PDE 2057

* Includes other financing sources

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

Fiscal Year	Emmaus Note 2009	Series AA of 2010		Series A of 2012		Series AA of 2012		Series 2013		Series 2014		Series AA 2014		Series 2015		Series A 2015		Series AA 2015		Series 2016		Series A 2016		Total
		GOR	GOR	GOR	GOR	GOR	GOR	GOR	GOR	GOR	GOR	GOR	GOR	GOR	GOR	GOR	GOR	GOR	GOR	GOR	GOR	GOR	GOR	
2016- 2017	5,000	2,510,000	525,000	-	115,000	765,000	-	4,485,000	270,000	3,320,000	5,000	665,000	1,490,000	5,000	14,160,000									
2017- 2018	5,000	1,795,000	540,000	-	7,835,000	795,000	-	5,000	270,000	1,290,000	5,000	680,000	1,725,000	5,000	14,950,000									
2018- 2019	5,000	3,160,000	545,000	-	8,295,000	815,000	-	5,000	280,000	-	5,000	710,000	1,810,000	5,000	15,635,000									
2019- 2020	5,000	3,290,000	560,000	-	7,875,000	825,000	-	800,000	290,000	-	5,000	735,000	1,840,000	5,000	16,230,000									
2020- 2021	650,000	3,420,000	570,000	-	7,360,000	850,000	-	1,085,000	295,000	-	5,000	755,000	1,935,000	5,000	16,930,000									
2021- 2026	3,190,000	4,410,000	3,090,000	20,000	7,620,000	-	10,000	24,500,000	12,670,000	-	25,000	770,000	6,400,000	31,005,000	93,710,000									
2026- 2031	6,110,000	-	2,075,000	16,535,000	-	-	9,340,000	-	43,205,000	-	7,610,000	-	-	1,000,000	85,875,000									
2031- 2032	-	-	-	4,445,000	-	-	2,650,000	-	-	-	2,030,000	-	-	-	9,125,000									
Total Principal	9,970,000	18,585,000	7,905,000	21,000,000	39,100,000	4,050,000	12,000,000	30,880,000	57,280,000	4,610,000	9,690,000	4,315,000	15,200,000	32,030,000	266,615,000									

Source: District Debt Service Schedules

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

		Gross Debt Outstanding	Percentage Applicable to this Governmental Unit	Net Share of Debt	
Chester County					
Direct Debt					
	West Chester Area School District	266,615,000	100%	266,615,000	
Overlapping Debt					
	Township of East Bradford	-	100%	-	(1), (2)
	Township of East Goshen	4,652,778	100%	4,652,778	(1), (2)
	Township of Thornbury	-	100%	-	(1), (2)
	Township of West Goshen	6,252,000	100%	6,252,000	(1), (2)
	Township of West Whiteland	12,790,000	100%	12,790,000	(1), (2)
	Township of Westtown	13,380,000	100%	13,380,000	(1), (2)
	Borough of West Chester	32,974,794	100%	32,974,794	(1), (3)
	Chester County	550,121,272	20%	110,725,351	(1), (2), (4)
Total Direct and Overlapping Chester County Debt				447,389,923	
Delaware County					
Direct Debt					
	West Chester Area School District	266,615,000	100%	266,615,000	
Overlapping Debt					
	Township of Thornbury	188,164	100%	188,164	(1), (5)
	Delaware County	327,081,000	1%	4,697,504	(1), (4), (5)
Total Direct and Overlapping Delaware County Debt				271,500,668	

⁽¹⁾ As of December 31, 2015

⁽²⁾ Source: County of Chester

⁽³⁾ Source: West Chester Borough

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

⁽⁵⁾ Source: County of Delaware CAFR

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

Fiscal Year	Assessed Value ⁽¹⁾	Gross Bonded Debt ⁽⁵⁾	Debt Service		Net Bonded Debt	Ratio of Net Bonded Debt to Assessed		Population	Net Bonded Debt per Capita	Estimated Personal Income ⁽⁴⁾	Percent of Personal Income
			Monies Available	Debt		Bonded Debt to Assessed	Bonded Debt to Assessed				
2006-07	8,062,042,925	316,695,000	-	316,695,000	316,695,000	3.9%	3.9%	101,207 (3)	3,129	6,608,311,065	4.8%
2007-08	8,157,312,585	307,140,000	-	307,140,000	307,140,000	3.8%	3.8%	101,207 (3)	3,035	6,608,311,065	4.6%
2008-09	8,242,715,916	296,990,000	-	296,990,000	296,990,000	3.6%	3.6%	101,207 (3)	2,934	6,608,311,065	4.5%
2009-10	8,307,842,902	285,915,000	-	285,915,000	285,915,000	3.4%	3.4%	108,441 (2)	2,637	7,080,655,095	4.0%
2010-11	8,266,704,410	275,895,000	-	275,895,000	275,895,000	3.3%	3.3%	108,441 (2)	2,544	7,080,655,095	3.9%
2011-12	8,260,561,578	265,010,000	-	265,010,000	265,010,000	3.2%	3.2%	108,441 (2)	2,444	7,080,655,095	3.7%
2012-13	8,269,812,430	273,900,000	-	273,900,000	273,900,000	3.3%	3.3%	108,441 (2)	2,526	7,080,655,095	3.9%
2013-14	8,271,246,475	272,605,000	-	272,605,000	272,605,000	3.3%	3.3%	108,441 (2)	2,514	7,080,655,095	3.8%
2014-15	8,288,723,433	260,605,000	-	260,605,000	260,605,000	3.1%	3.1%	108,441 (2)	2,403	7,080,655,095	3.7%
2015-16	8,345,775,816	256,645,000	-	256,645,000	256,645,000	3.1%	3.1%	108,441 (2)	2,367	7,080,655,095	3.6%

(1) Source: District Fact Book

(2) Source: 2010 Census

(3) Source: 2000 Census

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

(5) Source: District Audit Report

WEST CHESTER AREA SCHOOL DISTRICT

DEMOGRAPHIC AND ECONOMIC INFORMATION



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

	West Chester Area School District Population (3)	Chester County Population (1)	Pennsylvania Population (1)	United States Population (1)
1970	Not Available	278,311	11,758,458	203,302,031
1980	68,170	316,660	11,855,687	226,542,199
1990	81,172	376,396	11,881,643	248,709,873
2000	94,114	433,501	12,281,054	281,421,906
2010	100,413	498,886	12,702,379	308,745,538
2011 *	101,738	503,662	12,741,310	311,582,564
2012 *	102,075	506,575	12,764,475	313,873,685
2013 *	102,782	509,468	12,773,801	316,128,839
2014 *	103,324	512,784	12,787,209	318,857,056
2015 *	104,062	515,939	12,802,503	321,418,820

* As estimated by US Census Bureau

	West Chester Area School District Market Value	West Chester Area School District Adjusted Personal Income	Pennsylvania Market Value	Pennsylvania Adjusted Personal Income (2)
2006	\$9,590,769,200	\$3,884,233,497	\$605,480,139,100	\$249,837,190,420
2007	\$9,697,033,700	\$4,643,670,427	\$619,322,425,100	\$281,225,923,639
2008	\$11,064,906,900	\$4,451,051,840	\$691,149,996,700	\$284,972,235,557
2009	\$11,151,776,000	\$4,217,565,767	\$699,875,265,754	\$269,983,839,121
2010	\$12,025,290,349	\$4,599,671,765	\$753,847,457,918	\$285,034,294,226
2011	\$11,993,394,605	\$4,245,577,671	\$756,045,821,766	\$295,345,108,406
2012	\$12,536,540,440	\$4,698,094,232	\$776,736,893,311	\$312,219,585,188
2013	\$12,546,941,355	\$4,502,829,867	\$781,362,158,748	\$311,032,689,690
2014	\$12,786,398,938	Not Available	\$801,633,782,130	Not Available
2015	\$12,891,822,543	Not Available	\$810,805,701,762	Not Available

(1) Source: US Census

(2) Source: PA Dept of Education

(3) Chester County Planning Commission

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

Household Income

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

Labor Force and Employment

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

Housing Value

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

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

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

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

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

Name	Product or Service	2015-16			2006-07		
		Approximate Employment	Rank	% of Total	Approximate Employment	Rank	% of Total
QVC Network, Inc.	Home Shopping Network	2,784	1	5.4%	1,443	5	2.8%
West Chester University	Education	2,571	2	5.0%	1,591	4	3.1%
Penn Medicine Chester County Hospital	Health Care Services	2,196	3	4.3%	2,075	2	4.1%
Chester County	County Government	1,772	4	3.5%	2,589	1	5.1%
West Chester Area School District	Education	1,556	5	3.0%	1,431	6	2.8%
United Parcel Service, Inc.	Delivery Services	1,302	6	2.5%	1,232	9	2.4%
Johnson & Johnson Services Inc.	Drug Research and Testing	1,256	7	2.5%			
Giant Food Stores LLC	Grocery	976	8	1.9%			
Comcast Cable Communications	Telecommunication	927	9	1.8%			
Communications Test Design, Inc.	Communication Engineering	653	10	1.3%			
QVC Publishing, Inc.	Div. QVC Network				2,048	3	4.0%
People 2.0, Inc.	Staffing Agencies				1,319	7	2.6%
Therakos	Health Care Products				1,285	8	2.5%
Synthes Spine Co. LP	Medical Technology				1,231	10	2.4%
Total		15,993			16,244		

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

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

WEST CHESTER AREA SCHOOL DISTRICT

OPERATING INFORMATION



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

Fiscal Year	Number of School Staff *	Number of Students	Ratio Students/Staff
2006-07	974.53	11,789	12.1
2007-08	1,006.50	11,667	11.6
2008-09	999.20	11,684	11.7
2009-10	996.78	11,810	11.8
2010-11	987.70	11,825	12.0
2011-12	976.10	11,822	12.1
2012-13	972.40	11,688	12.0
2013-14	971.80	11,659	12.0
2014-15	971.60	11,624	12.0
2015-16	971.30	11,483	11.8

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

Source: District Fact Book

**WEST CHESTER AREA SCHOOL DISTRICT
DISTRICT FACILITIES**

Building	Original Construction Date	Addition and/or Renovation Date	Grades	Site Area (Acres)	Building Sq. Ft.	Sept. 30th 2015 Enrollment
B. Rustin High School	2003-06	-	9-12	123.20	283,000	1,258
East High School	1973	1976/92/93/04	9-12	62.60	314,453	1,272
East/Fugett Athletic Fields	2004	-	-	43.35	-	----
Henderson High School	1951	1956/64/76/94/98/04	9-12	30.56	287,351	1,228
Henderson-North Campus Athletics	2006	-	-	28.40	-	----
E. N. Peirce Middle School	1963	1998/01/03	6-8	26.70	136,250	912
G. A. Stetson Middle School	1959	1961/98/03/07	6-8	38.40	134,857	986
J. R. Fugett Middle School	1969	2009	6-8	*	163,340	884
East Bradford Elementary	1958	1966/70/89/2013	K-5	18.20	58,367	404
East Goshen Elementary	1955	1960/64/67/95/01	K-5	20.80	67,832	412
Exton Elementary	1940	1953/57/91/92/93/00	K-5	13.10	66,265	465
Fern Hill Elementary	1955	1960/89/2014	K-5	20.00	64,555	510
Glen Acres Elementary	1966	1997	K-5	11.70	59,931	500
Hillsdale Elementary	1976	2007	K-5	20.90	70,631	554
Mary C. Howse Elementary	1962	1965/97	K-5	15.24	65,287	518
Penn Wood Elementary	1966	1970/89/01/2012	K-5	18.60	64,350	543
Sarah W. Starkweather Elementary	1991	1998	K-5	37.90	75,094	580
Westtown-Thornbury Elementary	1954	1956/89/2012	K-5	11.70	55,556	457
Facilities & Operations Center	1999	-	-	3.20	24,588	----
Spellman Administration	1924	1952/55/77/99	Admin	17.60	42,845	----
				562.15	2,034,552	11,483

* Fugett acreage included in East HS site area

**WEST CHESTER AREA SCHOOL DISTRICT
SCHOOL DISTRICT EMPLOYEES BY FUNCTION
For the 2015-16 Fiscal Year**

Functions	Elementary	Middle	High	Other	Total
1100 Regular	307.90	168.00	224.00	17.50	717.40
1200 Special	58.80	28.20	35.10	143.20	265.30
1300 Vocational		14.20	13.20		27.40
1400 Other Instructional					-
2100 Support Services- Students	19.60	15.00	34.00	12.00	80.60
2200 Support Services- Instructional	15.00	6.00	7.10	12.45	40.55
2300 Support Services- Administration	25.00	15.00	21.00	10.00	71.00
2400 Support Services- Pupil Health	10.00	3.00	6.00	7.00	26.00
2500 Support Services- Business Office				14.00	14.00
2600 Operating & Maintenance of Plant Services	34.00	18.00	33.00	42.40	127.40
2700 Student Transportation Services				3.50	3.50
2800 Support Services- Central				23.05	23.05
3000 Operation of Non-Instructional Services			9.00		9.00
Total 2015-16 FTEs	470.30	267.40	382.40	285.10	1,405.20

Source: District Personnel Budget Documentation

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

School Year:	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	
Kindergarten	At Sept. 30	660	578	628	660	611	630	616	557	584	525
(half-time)	End of Year	668	584	620	658	609	646	609	571	604	546
**Kindergarten		73	77	75	74	74	76	76	90	79	90
(full-time)		70	69	77	74	74	72	76	75	51	76
Grades 1-5	At Sept. 30	4,388	4,316	4,258	4,290	4,351	4,379	4,377	4,431	4,363	4,328
	End of Year	4,385	4,295	4,230	4,277	4,351	4,385	4,327	4,434	4,339	4,321
Grades 6-8	At Sept. 30	2,793	2,821	2,803	2,801	2,819	2,790	2,763	2,687	2,790	2,782
	End of Year	2,788	2,782	2,762	2,800	2,812	2,777	2,728	2,670	2,767	2,780
Grades 9-12	At Sept. 30	3,875	3,875	3,920	3,985	3,970	3,947	3,855	3,901	3,808	3,758
	End of Year	3,795	3,795	3,845	3,908	3,894	3,896	3,815	3,853	3,764	3,751
TOTAL-Sept.30		11,789	11,667	11,684	11,810	11,825	11,822	11,687	11,666	11,624	11,483
TOTAL-End of Year		11,706	11,525	11,534	11,717	11,740	11,776	11,555	11,603	11,525	11,474
Increase/Decrease at September 30		67	(122)	17	126	15	(3)	(135)	(21)	(42)	(141)

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

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

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>
Total Out-of-District	5,035	4,945	4,948	4,772	4,371	4,334	4,322	4,073	4,034	4,164
% of Total	29.9%	29.8%	29.7%	28.8%	27.0%	26.8%	27.0%	25.9%	25.8%	26.6%
Total In-District	11,789	11,667	11,684	11,810	11,825	11,822	11,687	11,666	11,624	11,483
% of Total	70.1%	70.2%	70.3%	71.2%	73.0%	73.2%	73.0%	74.1%	74.2%	73.4%
Total Students	16,824	16,612	16,632	16,582	16,196	16,156	16,009	15,739	15,658	15,647
District Share Change Year-to-Year	0.70%	0.23%	0.03%	1.38%	2.51%	0.22%	-0.23%	1.53%	0.16%	-1.14%

WCASD	11,789	11,667	11,684	11,810	11,825	11,822	11,687	11,666	11,624	11,483
Elementary	5,121	4,971	4,961	5,024	5,036	5,085	5,069	5,078	5,026	4,943
% of Total	30.4%	29.9%	29.8%	30.3%	31.1%	31.5%	31.7%	32.3%	32.1%	31.6%
Secondary	6,668	6,696	6,723	6,786	6,789	6,737	6,618	6,588	6,598	6,540
% of Total	39.6%	40.3%	40.4%	40.9%	41.9%	41.7%	41.3%	41.9%	42.1%	41.8%

Out-Of-District	5,035	4,945	4,948	4,772	4,371	4,334	4,322	4,073	4,034	4,164
Elementary	3,733	3,707	3,705	3,542	3,320	3,299	3,268	3,040	3,040	3,131
Private	186	160	185	196	171	185	188	181	227	229
% of Total	1.1%	1.0%	1.1%	1.2%	1.1%	1.1%	1.2%	1.2%	1.4%	1.5%
Religious - Catholic	2,391	2,321	2,241	2,125	1,973	1,850	1,805	1,682	1,618	1,615
% of Total	14.2%	14.0%	13.5%	12.8%	12.2%	11.5%	11.3%	10.7%	10.3%	10.3%
Religious - Other	448	446	448	394	325	375	336	248	270	329
% of Total	2.7%	2.7%	2.7%	2.4%	2.0%	2.3%	2.1%	1.6%	1.7%	2.1%
Charter	418	501	543	545	583	610	656	670	706	717
% of Total	2.5%	3.0%	3.3%	3.3%	3.6%	3.8%	4.1%	4.3%	4.5%	4.6%
Special Education	115	103	100	117	103	114	107	91	69	78
% of Total	0.7%	0.6%	0.6%	0.7%	0.6%	0.7%	0.7%	0.6%	0.4%	0.5%
Home School	175	176	188	165	165	165	176	168	150	163
% of Total	1.0%	1.1%	1.1%	1.0%	1.0%	1.0%	1.1%	1.1%	1.0%	1.0%
Secondary	1,302	1,238	1,243	1,230	1,051	1,035	1,054	1,033	994	1,033
Private	66	58	54	49	33	39	46	35	40	38
% of Total	0.4%	0.3%	0.3%	0.3%	0.2%	0.2%	0.3%	0.2%	0.3%	0.2%
Religious - Catholic	1,014	970	947	939	814	803	819	762	725	812
% of Total	6.0%	5.8%	5.7%	5.7%	5.0%	5.0%	5.1%	4.8%	4.6%	5.2%
Religious - Other	153	139	148	142	140	123	98	84	93	82
% of Total	0.9%	0.8%	0.9%	0.9%	0.9%	0.8%	0.6%	0.5%	0.6%	0.5%
CCIU	16	23	32	37	23	31	32	90	73	66
% of Total	0.1%	0.1%	0.2%	0.2%	0.1%	0.2%	0.2%	0.6%	0.5%	0.4%
Alternative	53	48	62	63	41	39	59	62	63	35
% of Total	0.3%	0.3%	0.4%	0.4%	0.3%	0.2%	0.4%	0.4%	0.4%	0.2%
Home School	-	-	-	-	-	-	-	-	-	-

TOTAL NO. STUDENTS	16,824	16,612	16,632	16,582	16,196	16,156	16,009	15,739	15,658	15,647
Elementary	8,854	8,678	8,666	8,566	8,356	8,384	8,337	8,118	8,066	8,074
Secondary	7,970	7,934	7,966	8,016	7,840	7,772	7,672	7,621	7,592	7,573

TOTAL NO OF BIRTHS (AGE 5)	1,264	1,236	1,191	1,248	1,234	1,150	1,155	1,123	1,177	1,035
TOTAL NO. STUDENTS	16,824	16,612	16,632	16,582	16,196	16,156	16,009	15,739	15,658	15,647
Elementary	8,854	8,678	8,666	8,566	8,356	8,384	8,337	8,118	8,066	8,074
Secondary	7,970	7,934	7,966	8,016	7,840	7,772	7,672	7,621	7,592	7,573

Facility Breakdown										
% Public	70.1%	70.2%	70.3%	71.2%	73.0%	73.2%	73.0%	74.1%	74.2%	73.4%
Schools Facilities Not WCASD										
% Private	1.5%	1.3%	1.4%	1.5%	1.3%	1.4%	1.5%	1.4%	1.7%	1.7%
% Religious	23.8%	23.3%	22.8%	21.7%	20.1%	19.5%	19.1%	17.6%	17.3%	18.1%
% Charter	2.5%	3.0%	3.3%	3.3%	3.6%	3.8%	4.1%	4.3%	4.5%	4.6%
% Special Education	0.7%	0.6%	0.6%	0.7%	0.6%	0.7%	0.7%	0.6%	0.4%	0.5%
% CCIU	0.1%	0.1%	0.2%	0.2%	0.1%	0.2%	0.2%	0.6%	0.5%	0.4%
% Alternative	0.3%	0.3%	0.4%	0.4%	0.3%	0.2%	0.4%	0.4%	0.4%	0.2%
% Home School	1.0%	1.1%	1.1%	1.0%	1.0%	1.0%	1.1%	1.1%	1.0%	1.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

WEST CHESTER AREA SCHOOL DISTRICT

SINGLE AUDIT



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

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December 6, 2016

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 the West Chester Area School District ("the District") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 6, 2016.

Internal Control Over Financial Reporting

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

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

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

Board of School Directors
West Chester Area School District

Compliance and Other Matters

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

Purpose of this Report

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

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

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

December 6, 2016

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

Report on Compliance for the Major Federal Program

We have audited the West Chester Area School District's ("the District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2016. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and recommendations.

Management's Responsibility

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

Auditor's Responsibility

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

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

Board of School Directors
West Chester Area School District

Opinion on the Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

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

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


BARBACANE, THORNTON & COMPANY LLP

WEST CHESTER AREA SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

PART A - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major 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 the Uniform Guidance?

Yes No

Identification of major programs:

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:

\$ 750,000

Auditee qualified as low-risk auditee?

Yes No

WEST CHESTER AREA SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

PART B - FINDINGS RELATED TO FINANCIAL STATEMENTS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

PART C - FINDINGS RELATED TO FEDERAL AWARDS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

**WEST CHESTER AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

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 07/01/15	Revenue Recognized	Expenditures	Accrued (Unearned) Revenue 06/30/16	Passed Through to Subrecipients
U.S. Department of Education											
Passed through PA Department of Education											
Title I Grants to Local Education Agencies	I	84.010	013-160470	07/01/15-09/30/16	\$ 828,867	\$ 773,854	\$ -	\$ 828,867	\$ 828,867	\$ 55,013	\$ -
Title I Grants to Local Education Agencies	I	84.010	013-150470	07/03/14-09/30/15	818,064	53,808	53,808	-	828,867	-	-
Total CFDA #84.010						827,662	53,808	828,867	828,867	55,013	-
English Language Acquisition Grants	I	84.365	010-160470	07/01/15-09/30/16	106,810	71,207	-	62,549	62,549	(8,658)	-
English Language Acquisition Grants	I	84.365	010-150470	07/01/14-09/30/15	107,785	21,557	(4,504)	26,061	26,061	-	-
Total CFDA #84.365						92,764	(4,504)	88,610	88,610	(8,658)	-
Improving Teacher Quality State Grants	I	84.367	020-160470	07/01/15-09/30/16	276,481	184,765	-	112,392	112,392	(72,373)	-
Improving Teacher Quality State Grants	I	84.367	020-150470	07/03/14-09/30/15	277,596	203,435	(58,122)	261,557	261,557	-	-
Improving Teacher Quality State Grants	I	84.367	020-140470	07/01/13-09/30/14	276,775	18,436	18,436	-	-	-	-
Total CFDA #84.367						406,636	(39,686)	373,949	373,949	(72,373)	-
Passed through Intermediate Unit 1											
IDEA Special Education - Grants to States	I	84.027	062-16-0-032	09/30/15-09/29/16	10,000	-	-	6,023	6,023	6,023	-
Passed through Chester County I.U.											
IDEA Special Education - Grants to States	I	84.027	62-1500024	07/01/15-09/30/16	1,189,215	792,810	-	1,189,215	1,189,215	396,405	-
IDEA Special Education - Grants to States	I	84.027	62-1400024	07/01/14-09/30/15	1,208,173	526,074	526,074	-	-	-	-
Total CFDA #84.027						1,318,884	526,074	1,195,238	1,195,238	402,428	-
IDEA Special Education - Preschool Grants	I	84.173	131-150024B	07/01/15-09/30/16	4,502	-	-	4,502	4,502	4,502	-
TOTAL U.S. DEPARTMENT OF EDUCATION						2,645,946	535,692	2,491,166	2,491,166	380,912	-
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	07/01/15-06/30/16	25,187	25,187	-	25,187	25,187	-	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						25,187	-	25,187	25,187	-	-

Continued on next page.

**WEST CHESTER AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

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 07/01/15	Revenue Recognized	Expenditures	Accrued (Unearned) Revenue 06/30/16	Passed Through to Subrecipients
Passed through PA Emergency Management Agency											
Public Assistance Grant	I	97.036	FEMA-4267-DR-PA071611693	03/23/16-09/23/16	68,632	-	-	68,632	68,632	68,632	-
TOTAL FEDERAL EMERGENCY MANAGEMENT AGENCY											
U.S. Department of Agriculture											
Passed through PA Department of Agriculture											
Value of USDA Donated Commodities	I	10.555	N/A	07/01/15-06/30/16	N/A	151,570	-	123,937	123,937	(27,633)	-
Value of USDA Donated Commodities	I	10.555	N/A	07/01/14-06/30/15	N/A	-	(15,645)	15,645	15,645	-	-
Passed through PA Department of Education											
National School Lunch Program	I	10.555	362	07/01/15-06/30/16	N/A	641,542	31,102	627,459	627,459	17,019	-
Total CFDA #10.555						793,112	15,457	767,041	767,041	(10,614)	-
School Breakfast Program	I	10.553	365	07/01/15-06/30/16	N/A	137,160	8,170	134,460	134,460	5,470	-
Total CFDA #10.553						137,160	8,170	134,460	134,460	5,470	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE						930,272	23,627	901,501	901,501	(5,144)	-
TOTAL FEDERAL AWARDS						\$ 3,601,405	\$ 559,319	\$ 3,486,486	\$ 3,486,486	\$ 444,400	\$ -
SPECIAL EDUCATION CLUSTER (IDEA) (CFDA's #84.027 AND #84.173)											
CHILD NUTRITION CLUSTER (CFDA's #10.553 AND #10.555)											
						\$ 1,318,884	\$ 526,074	\$ 1,199,740	\$ 1,199,740	\$ 406,930	\$ -
						\$ 930,272	\$ 23,627	\$ 901,501	\$ 901,501	\$ (5,144)	\$ -

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 2015-2016 fiscal year. The District has food commodities totaling \$27,633 in inventory as of June 30, 2016.

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, 2016 was \$280,350.

NOTE E INDIRECT COST

The District has not elected to use the 10 percent de minimis indirect cost rate allowed under Uniform Guidance. For the year ended June 30, 2016, there were no indirect costs included in the schedule of expenditures of federal awards.

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