

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and court decisions, interest on the Bonds will not be includible in the gross income of the holders thereof for federal income tax purposes, assuming continuing compliance by the School District with the requirements of the Internal Revenue Code of 1986, as amended. Interest on the Bonds will not be a specific preference item for purposes of computing the federal alternative minimum tax on individuals. Under laws of the Commonwealth of Pennsylvania, as enacted and construed on the date hereof, interest on the Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax, and the Bonds are exempt from personal property taxes in Pennsylvania.

The School District has designated each of the Bonds as a "qualified tax-exempt obligation", for purposes and effect contemplated by Section 265 of the Code (concerning interest expense related to tax-exempt income of certain financial institutions). See "TAX MATTERS" herein.

\$9,990,000
West Chester Area School District
(Chester and Delaware Counties, Pennsylvania)
General Obligation Bonds, Series of 2018

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

Principal Due: May 15, as shown on inside cover
First Interest Payment: May 15, 2019

The bonds described herein will be issued in the aggregate principal amount of \$9,990,000 and will be designated as the General Obligation Bonds, Series of 2018 (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 May 15, 2019 and thereafter semiannually on May 15 and November 15 of each year, until the principal sum thereof is paid. DTC Participants and Indirect Participants will be responsible for remitting interest and principal payments to Beneficial Owners of the Bonds.

The Bonds are general obligations of the West Chester Area School District, a public school district located in portions of Chester and Delaware Counties, Pennsylvania (the "School District"), payable from its tax and other general revenues. The School District has covenanted that it will provide in its budget in each year, and will appropriate from its general revenues in each such year, the amount of the debt service due on the Bonds for such year and will duly and punctually pay or cause to be paid from the sinking fund established under the Resolution (herein defined) or any other of its revenues or funds the principal of every Bond and the interest thereon on the dates, at the place and in the manner stated in the Bonds, and for such budgeting, appropriation and payment the School District 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 pay the costs of planning, designing, acquiring, constructing, furnishing and equipping additions and improvements to the School District's existing elementary schools and, to the extent of remaining funds, other buildings and facilities of the School District, and pay the costs of issuing the Bonds.

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

MATURITIES, AMOUNTS, RATES, YIELDS/PRICES AND CUSIPS
[As Shown on Inside Front Cover]

The Bonds are offered when, as and if issued, subject to withdrawal or modification of the offer without notice, and subject to the approving legal opinion of Eckert Seamans Cherin & Mellott, LLC, 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 November 5, 2018.

FTN FINANCIAL CAPITAL MARKETS

\$9,990,000

West Chester Area School District
(Chester and Delaware Counties, Pennsylvania)
General Obligation Bonds, Series of 2018

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

Principal Due: May 15 (as shown below)
First Interest Payment: May 15, 2019
Form: DTC Book-Entry Only

BOND MATURITY SCHEDULE:

Maturity Date	Principal	Interest	Initial Offering	Initial Offering	CUSIP⁽¹⁾
(May 15)	Amounts	Rates	Yields	Prices	
Year					
2023*	\$20,000	2.500%	2.500%	100.000%	9520303D4
2030*	35,000	3.000	3.000	100.000	9520303L6
2031	970,000	3.100	3.170	99.280	9520303M4
2032	995,000	3.150	3.190	99.562	9520303N2
2033	1,030,000	3.200	3.270	99.194	9520303P7
2034	1,060,000	3.300	3.300	100.000	9520303Q5
2035	1,095,000	3.500	3.300**	100.918**	9520303R3
2036	1,135,000	3.500	3.350**	100.688**	9520303S1
2037	1,175,000	3.500	3.400**	100.457**	9520303T9
2038	1,215,000	3.500	3.450**	100.228**	9520303U6
2039	1,260,000	3.500	3.500	100.000	9520303V4

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

*Term Bonds.

**Yield/Priced to Optional Redemption Date of November 15, 2023.

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
Brian Gallen	Member
Dr. Karen Herrmann	Member
Dr. Kate Shaw	Member
Randell Spackman	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
ECKERT SEAMANS CHERIN & MELLOTT, LLC
Harrisburg, Pennsylvania

FINANCIAL ADVISOR
PFM FINANCIAL ADVISORS LLC
Harrisburg, Pennsylvania

UNDERWRITER
FTN FINANCIAL CAPITAL MARKETS
Memphis, Tennessee

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

SCHOOL DISTRICT ADDRESS
782 Springdale Drive
Exton, Pennsylvania

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

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OFFICIAL STATEMENT

\$9,990,000

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

General Obligation Bonds, Series of 2018

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 consists of portions of Chester and Delaware Counties, Pennsylvania (the "School District"), in connection with the offering of \$9,990,000 aggregate principal amount, of its General Obligation Bonds, Series of 2018 (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 September 24, 2018 (the "Resolution"), and in accordance with the Local Government Unit Debt Act, 53 Pa. C.S. Chs. 80-82 (the "Debt Act"), of the Commonwealth of Pennsylvania (the "Commonwealth" or "State").

PURPOSE OF THE ISSUE

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

Sources and Uses of Bond Proceeds

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

<u>Sources of Funds:</u>	Total
Bond Proceeds	\$9,990,000.00
Estimated Interest Earnings ⁽²⁾	55,000.00
Plus Net Original Issue Premium	6,356.95
<i>Total</i>	\$10,051,356.95

<u>Uses of Funds:</u>	
Construction Funds	\$9,864,655.95
Costs of Issuance ⁽¹⁾	186,701.00
<i>Total</i>	\$10,051,356.95

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

(2) Estimated interest earnings from investment of Construction Fund, based on estimated construction draws provided by the School District.

THE BONDS

Description

The Bonds will be issued in fully registered form in denominations of \$5,000 principal amount and integral multiples thereof, in the aggregate principal amount of \$9,990,000. The Bonds will be dated as of the date of the original issuance and delivery thereof (the "Date of Delivery"), and will bear interest at the rates and mature in the amounts and on the dates set forth on the inside front cover of this Official Statement. Interest on each of the Bonds will be payable initially on May 15, 2019, and, thereafter, semiannually on May 15 and November 15 of each year until the maturity date of such Bond or, if such Bond is redeemable and is called for redemption prior to maturity, until the date fixed for redemption thereof, if payment of the redemption price has been duly made or provided for.

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

Payment of Principal and Interest

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

The principal of any certificated Bonds, when due upon maturity or upon any earlier redemption, will be paid to the registered owners of the Bonds, or registered assigns, upon surrender of such Bonds to Manufacturers and Traders Trust Company (the "Paying Agent"), acting as paying agent and sinking fund depository for the Bonds, at its designated corporate trust offices (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 May 15, 2019, 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 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 additional tax and revenue package, known as Act 85 of 2016, which was needed to balance the 2016-17 state budget.

For the 2017-18 fiscal year, the state budget became law, known as Act 1A of 2017, on July 11, 2017 when the Governor failed to sign or veto the state budget that was adopted by the General Assembly on June 30, 2017. Act 1A of 2017 did not have any accompanying legislation regarding the potential revenue that would be needed to fund the balance of the 2017-18 Budget at the time of its enactment. On October 25, 2017, the General Assembly adopted House Bill 542 which contained the necessary revenue to fund the balance of the previously adopted Act 1A of 2017. On October 30, 2017 the Governor approved and signed House Bill 542 and it became known as Act 43 of 2017. The budget for the 2018-19 fiscal year was adopted on a timely basis.

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 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" hereinafter.**

Act 85 of 2016 – State Enforcement of Debt Service During Budget Impasses

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 2018 - 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 3.5 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 May 15, 2030, shall be subject to redemption prior to maturity, at the option of the School District, as a whole or on any date thereafter, or from time to time, in part (and if in part, in any order of maturities designated by the School District and within a maturity by lot) on November 15, 2023, or on any date thereafter, in either case upon payment of a redemption price of 100% of the principal amount to be redeemed, together with accrued interest to the redemption date.

Mandatory Redemption

The Bonds stated to mature on May 15, 2023 and May 15, 2030 are subject to redemption prior to maturity as required by the Resolution, in the amounts and on May 15 of the years shown below, from money in the Mandatory Sinking Fund created pursuant to the Resolution, upon payment of the principal amount being redeemed, together with interest accrued to the date fixed for redemption.

Bonds stated to mature May 15, 2023:

2020	\$5,000
2021	5,000
2022	5,000
2023*	5,000

* Stated maturity.

Bonds stated to mature May 15, 2030:

2024	\$5,000
2025	5,000
2026	5,000
2027	5,000
2028	5,000
2029	5,000
2030*	5,000

* Stated maturity.

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**

<u>Building</u>	<u>Original Construction Date</u>	<u>Addition and/or Renovation Date</u>	<u>Grades</u>	<u>2018-19 Enrollment*</u>
<u>High Schools</u>				
B. Rustin High School	2003-06	-	9-12	1,321
East High School	1973	1976/92/93/04	9-12	1,254
Henderson High School	1951	1956/64/76/94/98/04	9-12	1,291
<u>Middle Schools</u>				
E. N. Peirce Middle School	1963	1998/01/03	6-8	1025
G. A. Stetson Middle School	1959	1961/98/03/07	6-8	885
J. R. Fugett Middle School	1969	2009	6-8	880
<u>Elementary Schools</u>				
East Bradford Elementary	1958	1966/70/89/13	K-5	454
East Goshen Elementary	1955	1960/64/67/95/01	K-5	432
Exton Elementary	1940	1953/57/91/92/93/00	K-5	590
Fern Hill Elementary	1955	1960/89/2016	K-5	566
Glen Acres Elementary	1966	1997	K-5	624
Hillsdale Elementary	1976	2007	K-5	571
Mary C. Howse Elementary	1962	1965/97	K-5	581
Penn Wood Elementary	1966	1970/89/01/12	K-5	517
Sarah W. Starkweather Elementary	1991	1998	K-5	588
Westtown-Thornbury Elementary	1954	1956/89/12	K-5	515
<u>Other</u>				
Facilities & Operations Center	1999	-	-	
Spellman Administration**	1924	1952/55/77/99	-	
Spellman Education Center	1988	2017	Admin	
East/Fugett Athletic Fields	2004	-	-	
Henderson-North Campus Athletics	2006	-	-	
			Totals	12,094

*Projected for September 30, 2018 enrollment.

** School District still currently owns existing Spellman Administration Building described above, although the School District does intend to sell the building once a sale agreement has been finalized with a purchaser. In June 2017, the School District purchase a new office building in Exton and relocated its administrative offices. The new building is also called the Spellman Administration Building.

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 5 years, as prepared by the School District's administrative officials.

**TABLE 2
WEST CHESTER AREA SCHOOL DISTRICT ENROLLMENT TRENDS**

<u>Actual Enrollments</u>					<u>Projected Enrollments</u>				
<u>School Year</u>	<u>K-5</u>	<u>6-8</u>	<u>9-12</u>	<u>Total</u>	<u>School Year</u>	<u>K-5</u>	<u>6-8</u>	<u>9-12</u>	<u>Total</u>
2014-15	5,026	2,790	3,808	11,624	2019-20	5,468	2,833	3,875	12,176
2015-16	4,943	2,782	3,758	11,483	2020-21	5,547	2,899	3,905	12,351
2016-17	5,027	2,809	3,753	11,589	2021-22	5,605	2,857	3,887	12,349
2017-18	5,340	2,824	3,764	11,928	2022-23	5,591	2,857	3,885	12,333
2018-19* (est.)	5,438	2,790	3,866	12,094	2023-24	5,531	2,880	3,952	12,363

*Projected for September 30, 2017 enrollment.

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 2018-19 Budget Under Act 1. On May 29, 2018, at its regular monthly meeting the School Board of the School District adopted a FY 2018-19 Final Budget, which calls for a tax millage rate increase of 2.84%, up .5882 mills over the previous approved FY budget, to 21.2723 mills for Chester County residents and a tax millage rate increase of 3.44%, up 0.5349 mills to 16.0761 mills for Delaware County residents. This budget relies heavily on School District spending reductions and the use of approximately \$6.6 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, estimated 2017-18 and the 2018-19 budget.

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
ASSETS				
Current:				
Cash and Cash Equivalents	\$17,622,072	\$23,439,719	\$18,762,949	\$21,543,609
Investments	57,583,651	44,283,458	53,490,542	44,994,605
Internal Balances	0	(492)	(585)	(4,933)
Investments (restricted)	0	0	0	0
Property Taxes Receivable, Net	4,253,307	3,651,985	3,615,153	3,856,980
Due from other Governments	2,683,899	3,557,838	4,598,096	6,881,636
Other Receivables	868,411	814,784	1,709,901	1,207,413
Prepaid Expenditures	3,482,456	4,413,770	2,434,975	3,046,271
Other Current Assets	12,270	0	0	0
TOTAL CURRENT ASSETS	\$86,506,066	\$80,161,062	\$84,611,031	\$81,525,581
Noncurrent Assets				
Capital Assets:				
Bond issuance costs	\$0	\$0	\$0	\$0
Other post-employment benefits	0	0	0	0
Land	33,159,800	33,159,800	28,289,916	28,289,916
Land Improvements	14,737,125	15,387,038	15,770,266	16,416,508
Buildings	364,460,917	396,169,432	398,442,243	417,377,413
Construction in Progress	27,269,498	8,544,126	13,850,498	10,856,578
Furniture and Equipment	33,064,984	35,366,723	35,726,095	36,659,286
TOTAL CAPITAL ASSETS, NET OF DEPRECIATION	\$472,692,324	\$488,627,119	\$492,079,018	\$509,599,701
Less: Accumulated depreciation	(\$173,719,145)	(\$185,790,681)	(\$198,539,706)	(\$211,334,325)
TOTAL ASSETS	\$385,479,245	\$382,997,500	\$378,150,343	\$379,790,957
DEFERRED INFLOWS OF RESOURCES				
Deferred amount on refunding	\$5,544,256	\$7,591,636	\$7,550,581	\$6,569,895
Deferred Pension Contributions	0	18,609,908	22,053,155	26,330,342
Deferred Pension	0	4,661,632	9,097,787	39,493,958
TOTAL DEFERRED OUTFLOWS	\$5,544,256	\$30,863,176	\$38,701,523	\$72,394,195
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$391,023,501	\$413,860,676	\$416,851,866	\$452,185,152
LIABILITIES				
Current:				
Accounts Payable and other current liabilities	\$25,042,441	\$27,410,251	\$22,202,118	\$23,961,822
Bond and Notes Payable Due Within One Year	15,571,743	11,835,240	16,976,211	17,515,062
Accrued Interest	2,062,171	1,933,474	1,500,949	1,756,088
Deferred Revenues	195,159	105,440	144,102	83,608
TOTAL CURRENT LIABILITIES	\$42,871,514	\$41,284,405	\$40,823,380	\$43,316,580
Long-Term:				
Bonds and Notes Payable Due After One Year	\$284,067,626	\$277,603,614	\$273,049,843	\$264,195,316
Accrued Severance and Compensated Absences	4,877,394	4,805,853	4,626,439	4,752,023
Other post-employment benefits	236,392	293,516	406,171	669,256
Net pension liability	0	262,381,000	293,071,000	337,581,000
TOTAL LONG-TERM LIABILITIES	\$289,181,412	\$545,083,983	\$571,153,453	\$607,197,595
TOTAL LIABILITIES	\$332,052,926	\$586,368,388	\$611,976,833	\$650,514,175
DEFERRED INFLOW OF RESOURCES				
Deferred pension	\$0	\$18,757,000	\$1,803,000	\$2,812,000
NET POSITION (DEFICIT)				
Net investment in capital assets	\$7,710,407	\$20,989,220	\$11,063,839	\$23,124,893
Restricted for Capital Projects	17,672,551	22,203,300	27,440,218	22,444,089
Unrestricted (Deficit)	34,101,596	(\$234,457,232)	(\$235,432,024)	(\$246,710,005)
TOTAL FUND EQUITIES	\$59,484,554	(\$191,264,712)	(\$196,927,967)	(\$201,141,023)
TOTAL LIABILITIES AND FUND EQUITIES/NET ASSETS	\$391,537,480	\$413,860,676	\$416,851,866	\$452,185,152

Source: School District's Annual Financial Reports.

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

	Actual				Estimated	Budgeted
	2014	2015	2016	2017	2018 ⁽¹⁾	2019 ⁽²⁾
Beginning Fund Balance	\$32,296,285	\$33,275,468	\$31,589,954	\$28,685,373	\$28,704,590	\$31,734,037
Revenues over (under) Expenditure	979,183	(1,685,514)	(2,904,581)	\$19,217	\$3,029,447	(\$6,628,745)
Ending Fund Balance	<u>\$33,275,468</u>	<u>\$31,589,954</u>	<u>\$28,685,373</u>	<u>\$28,704,590</u>	<u>\$31,734,037</u>	<u>\$25,105,292</u>

*Totals may not add due to rounding.

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

⁽²⁾Budget, as adopted May 29, 2018.

Source: School District Annual Financial Reports and Budget.

General Fund Revenue

The School District received an estimated \$242,075,214 in total revenue in FY 2017-18, and has budgeted total revenue of \$246,772,594 in FY 2018-19. Local sources decreased as a share of total revenue in the past five years, from 83.91% in FY 2013-14 to an estimated 81.49% in FY 2017-18. Revenue from Commonwealth sources increased slightly as a share of the total revenue from 15.36% to a budgeted 17.66% over this period. Federal and other revenue increased slightly as a share of the total revenue from 0.73% to 0.85% over this period.

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

REVENUE:	Actual				Estimated	Budgeted
	2014	2015	2016	2017	2018 ⁽¹⁾	2019 ⁽²⁾
Local Sources:						
Real Estate Taxes (Current)	\$143,225,113	\$147,447,717	\$151,929,043	\$156,989,628	\$163,070,584	\$168,126,224
Interim Real Estate Taxes	679,486	955,973	780,930	695,464	1,065,856	1,191,092
Total Act 511 Taxes	23,185,205	23,505,224	24,325,967	27,451,544	26,105,252	26,003,631
Public Utility Realty Tax	210,851	214,682	198,340	196,738	183,280	200,000
Delinquencies on Taxes Levied	3,365,905	3,246,013	3,000,329	3,479,843	2,708,709	3,008,800
Earnings from Temporary Deposits & Investments	70,970	165,496	332,215	731,944	1,402,283	499,990
PA Revenue Rec'd.-Other Intermediate Sources	419,389	136,281	152,905		216,794	
Fed. Rev. Rec'd.-Other Intermediate/PA Sources	1,154,666	1,215,754	1,199,740	1,328,361	1,318,134	1,315,640
Tuition from Patrons	29,342	149,291	157,428	161,773	115,756	194,540
Rentals	332,728	347,233	402,308	509,869	481,072	360,000
Contributions and Donations	11,500	5,000	13,381	17,602	27,126	20,000
Receipts from Other LEAs	408,333	213,468	385,557	350,622	88,290	191,500
Refund of Prior Years' Expenditures	14,881	16,391	36,859	34,677	40,726	
All Other Local Revenues Not Specified	106,126	398,020	406,289	276,995	449,316	481,485
Other Sources	13,861	0	0	62,497		
Total Local Sources	<u>\$173,228,355</u>	<u>\$178,016,542</u>	<u>\$183,321,291</u>	<u>\$192,287,557</u>	<u>\$197,273,178</u>	<u>\$201,592,902</u>
State Sources:						
Total State Sources	\$31,717,857	\$34,209,926	\$35,806,499	\$41,156,644	\$42,747,951	\$43,283,093
Federal Sources:						
Total Federal Sources	\$1,507,117	\$1,744,067	\$1,665,595	\$1,957,139	\$2,054,085	\$1,896,599
Other Sources:						
Total Other Sources	\$0	\$0	\$0	\$0		
TOTAL REVENUE	<u>\$206,453,328</u>	<u>\$213,970,536</u>	<u>\$220,793,385</u>	<u>\$235,401,340</u>	<u>\$242,075,214</u>	<u>\$246,772,594</u>

*Totals may not add due to rounding.

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

⁽²⁾Budget, as adopted May 29, 2018.

Source: School District Annual Financial Reports and Budget.

General Fund Expenditures

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

EXPENDITURES:	Actual				Estimated	Budgeted
	2014	2015	2016	2017	2018 ⁽¹⁾	2019 ⁽²⁾
Instruction	\$116,101,438	\$122,147,058	\$130,495,364	\$137,794,289	\$140,798,784	\$144,128,512
Pupil Personnel	7,675,484	8,265,336	8,637,182	8,686,873	8,966,429	9,643,310
Instructional Staff	4,881,281	4,873,550	5,213,154	5,481,670	5,207,701	5,851,178
Support Services - Administration	10,502,799	10,279,965	10,569,909	11,040,270	11,215,067	12,356,295
Support Services - Pupil Health	2,002,751	2,075,995	2,165,522	2,256,872	2,348,603	2,384,759
Business	1,521,955	1,711,746	1,859,038	1,790,607	1,827,625	1,905,048
Operation & Maintenance	15,281,210	15,377,641	15,696,512	15,996,618	16,215,303	18,000,350
Pupil Transportation	12,650,019	13,005,903	13,183,652	13,606,727	13,365,718	13,953,117
Central Support Services	2,158,719	3,209,406	3,489,068	3,354,191	3,456,610	3,799,159
Support Services - Other	127,739	262,755	127,780	229,674	613,696	230,218
Community Services	0	0	0		143,492	
Non-instructional Services	4,237,967	4,610,182	4,803,105	4,865,617	4,895,452	5,545,301
Facilities Acquisition, Construction and Improvement	0	0	0			
Capital Outlay	0	0	0			
Debt Service	23,653,792	21,246,767	18,350,433	24,085,387	24,855,902	25,828,420
Refund Prior Year Expenditures	97,744	0	0			
Other Support Services	0	0	0			
Budgetary Reserves & Transfers	4,581,247	8,589,744	9,107,247	6,193,328	5,135,385	9,775,672
TOTAL EXPENDITURES	<u>\$205,474,145</u>	<u>\$215,656,048</u>	<u>\$223,697,966</u>	<u>\$235,382,124</u>	<u>\$239,045,767</u>	<u>\$253,401,339</u>
SURPLUS (DEFICIT) OF REVENUES						
OVER EXPENDITURES	<u>\$979,183</u>	<u>(\$1,685,512)</u>	<u>(\$2,904,581)</u>	<u>\$19,217</u>	<u>\$3,029,447</u>	<u>(\$6,628,745)</u>

*Totals may not add due to rounding.

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

⁽²⁾Budget, as adopted May 29, 2018.

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 current and prior fiscal years are as follows:

<u>Fiscal Year</u>	<u>Index %</u>
2018-19	2.4
2017-18	2.5
2016-17	2.4
2015-16	1.9
2014-15	2.1

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 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 2018/19 budget to cover the full amount of the debt service on the Bonds without exceeding the 2018/19 Index (although the actual tax increase may exceed the 2018/19 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⁾ (%)
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
2017-18	20.6841	15.2086	1.00	1.00
2018-19	21.2723	16.07691	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>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>
<i>School District</i>					
Chester County	19.2100	19.5779	20.0982	20.0982	21.2723
Delaware County	13.6500	13.9059	14.7113	15.2086	16.0761
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
East Bradford Township	0.3400	0.3400	1.0000	1.0000	1.0000
East Goshen Township	1.2500	1.2500	1.2500	1.2500	1.2500
Thornbury Township	0.9950	0.9950	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	0.7190	0.7190	0.7190	0.7190	0.7190
Westtown Township	3.5000	3.5000	3.5000	3.5000	3.5000
Chester County	4.1630	4.1630	4.1630	4.3690	4.3690

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 an estimated \$163,070,584 in FY 2017-18, approximately 67.36% of overall revenue.

The following tables summarize trends of assessed and market valuations of real property. For the FY 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**

<u>Year</u>	<u>Market Value</u>	<u>Assessed Value</u>	<u>Ratio</u>
2017-18	\$13,559,785,462	\$8,471,217,579	62.47%
2016-17	13,370,341,642	8,376,073,418	62.64%
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%

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

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

	<u>2016-17</u>		<u>2017-18</u>	
	<u>Market Value</u>	<u>Assessed Value</u>	<u>Market Value</u>	<u>Assessed Value</u>
<i>School District</i>	\$13,370,341,642	\$8,376,073,418	\$13,559,785,462	\$8,471,217,579
<i>Chester County</i>	58,932,935,317	37,923,203,735	58,830,683,735	37,595,989,177
East Bradford Township	1,256,748,493	809,296,474	1,251,832,420	806,309,734
East Goshen Township	2,490,282,814	1,620,788,386	2,526,201,224	1,646,038,006
Thornbury Township	463,663,899	316,019,879	465,205,367	316,276,439
Thornbury Township (Del County)	786,252,920	647,398,983	785,726,934	647,286,999
West Chester Borough	1,520,259,781	716,893,565	1,575,611,359	741,569,295
West Goshen Township	2,979,541,703	1,809,459,343	3,056,797,339	1,844,979,763
West Whiteland Township	2,617,361,273	1,697,937,655	2,634,615,386	1,707,836,075
Westtown Township	1,256,230,759	758,279,133	1,263,795,432	760,921,268

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

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

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
Residential	\$6,259,613,155	\$6,284,258,852	\$6,320,020,535	\$6,332,365,407	\$5,711,682,388
Lots	42,183,581	40,040,064	37,835,275	23,518,106	20,367,120
Industrial	148,415,270	147,601,360	147,070,325	146,853,645	145,353,765
Commercial	1,782,733,167	1,773,571,079	1,802,557,370	1,847,331,000	1,918,644,667
Agriculture	22,066,740	22,066,740	22,703,280	22,730,390	23,544,790
Trailers	1,451,340	1,447,630	1,464,810	1,471,450	1,471,450
Land	15,823,472	14,793,890	14,344,741	1,801,420	2,866,400
Total	\$8,272,286,725	\$8,283,779,615	\$8,345,996,336	\$8,376,071,418	\$7,823,930,580

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

**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>
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%
2016-17	8,438,369,400	20.0982	166,104,714	160,634,511	96.71%	164,114,354	98.80%
2017-18	8,477,054,324	20.6841	171,795,817	166,613,977	96.98%	169,322,685	98.56%

⁽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 2018-19 assessed values, are shown on Table 12 which follows. The aggregate assessed value of these ten taxpayers totals approximately 4.13% of total assessed value.

**TABLE 12
WEST CHESTER AREA SCHOOL DISTRICT
TEN LARGEST REAL PROPERTY TAXPAYERS, 2018-19**

<u>Owner</u>	<u>Property</u>	<u>2018-19 Assessed Value</u>
Exton Square Inc. ⁽¹⁾	Shopping Mall	\$70,318,380
ARHC Whcchpao1 LC	Wellington Senior Living	41,550,000
BRE Rook SH Bellingham LP	Bellingham Senior Living	37,450,000
Main Street At Exton LP	Shopping Center	33,532,420
QVC Realty	Industrial Bldg./TV Shopping	30,397,000
SPUS8 West Chester LP	Apartment Complex	26,900,000
Pembroke Tom VC LLC	Business Complex	23,388,000
Exton Gardens LLC	Apartment Complex	21,023,480
WTC LLC	Shopping Center	20,424,850
Hankin Family Limited Partnership	Residential Apartments	18,177,970
Total		\$323,162,100

⁽¹⁾Taxpayer appeal pending.

Other Taxes

Under Act 511, the School District collected an estimated \$26,105,252 in taxes in FY 2017-18. 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 \$1,627,174,255.

Real Estate Transfer. The School District levies a tax of 0.5% of the value of real estate transfers. In FY 2017-18 the School District's collected portion of this tax yielded an estimated \$4,983,462 of total revenue.

Wage and Income Tax. The School District levies a tax of 0.5% of the earned income of residents. In FY 2017-18 the School District's collected portion of this tax yielded \$21,121,790 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 PDE. Commonwealth reimbursement is calculated based on the "Reimbursable Percentage" assigned to the Bonds by the PDE 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 2018 Bonds will be 0.00% (there has been no determination by the PDE). 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 known 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 expired on June 30, 2017. On November 6, 2017, House Bill 178 became law without the signature of the Governor and became known as Act 55 of 2017. Contained in Act 55 of 2017 was an extension of the PlanCon moratorium through the end of the 2017-18 fiscal year.

To date, the CFA has issued \$1,170,705,000, to provide for PlanCon reimbursements owed to school districts, including the issuance of its Revenue Bonds, Series A of 2016 (Federally Taxable) in the principal amount of \$758,185,000 issued on October 31, 2016, as well as its Revenue Bonds, Series A of 2018 (Federally Taxable) in the total amount of \$412,520,000 issued on January 18, 2018. It is expected that proceeds of these issues have been and will continue to 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 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, and except as described above, none of these proposals have been signed into law. To the extent that any future legislation contains material changes to the PlanCon program as it is structured currently, 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 on 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 October 1, 2018 and includes the new issuance of the Bonds.

TABLE 13
WEST CHESTER AREA SCHOOL DISTRICT
DEBT STATEMENT
(As of October 1, 2018) *

NONELECTORAL DEBT	Gross Outstanding
General Obligation Bonds, Series of 2018 (last maturity 2039)	\$9,990,000
General Obligation Bonds, Series A of 2017 (last maturity 2032).....	9,750,000
General Obligation Bonds, Series of 2017 (last maturity 2029)	7,215,000
General Obligation Bonds, Series AA of 2016 (last maturity 2032).....	8,495,000
General Obligation Bonds, Series A of 2016 (last maturity 2027).....	32,020,000
General Obligation Bonds, Series of 2016 (last maturity 2024)	11,985,000
General Obligation Bonds, Series AA of 2015 (last maturity 2021).....	2,970,000
General Obligation Bonds, Series A of 2015 (last maturity 2032).....	9,680,000
General Obligation Bonds, Series AA of 2014 (last maturity 2030).....	56,740,000
General Obligation Bonds, Series A of 2014 (last maturity 2024).....	26,390,000
General Obligation Bonds, Series of 2014 (last maturity 2032)	12,000,000
General Obligation Bonds, Series of 2013 (last maturity 2020)	1,675,000**
General Obligation Bonds, Series AA of 2012 (last maturity 2022).....	31,150,000
General Obligation Bonds, Series A of 2012 (last maturity 2032).....	21,000,000
General Obligation Bonds, Series AA of 2010 (last maturity 2022).....	14,280,000
General Obligation Note, Series of 2009 (last maturity 2027).....	9,960,000
<i>NONELECTORAL DEBT</i>	\$265,300,000
<i>LEASE RENTAL DEBT</i>	
<i>NET LEASE RENTAL DEBT</i>	\$0
<i>TOTAL NET NONELECTORAL AND LEASE RENTAL DEBT</i>	\$265,300,000

*Includes the Bonds offered through this Official Statement.

**Excludes regularly scheduled principal payment due October 1, 2018.

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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 \$265,300,000. After adjustment for available funds and estimated Commonwealth aid, the local effort of direct debt will total \$255,498,092.

TABLE 14
WEST CHESTER AREA SCHOOL DISTRICT
OVERLAPPING INDEBTEDNESS AND DEBT RATIOS*
(As of October 1, 2018)*

DIRECT DEBT	Gross Outstanding	Local Effort or Net of Available Funds and Estimated Commonwealth Aid⁽¹⁾
Nonelectoral Debt	\$265,300,000	\$255,498,092
Lease Rental Debt	0	0
TOTAL DIRECT DEBT	\$265,300,000	\$255,498,092
OVERLAPPING DEBT		
Chester County, General Obligation ⁽²⁾	\$116,431,921	\$116,431,921
Delaware County, General Obligation ⁽³⁾	5,201,593	5,201,593
Municipal Debt	127,038,494	127,038,494
TOTAL OVERLAPPING DEBT	\$248,672,009	\$248,672,009
TOTAL DIRECT AND OVERLAPPING DEBT	\$513,972,009	\$504,170,100
DEBT RATIOS		
Per Capita	\$4,739.65	\$4,649.26
Percent 2017-18 Assessed Value	6.07%	5.95%
Percent 2017-18 Market Value	3.79%	3.72%

*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 21.71% share of \$536,225,000 principal outstanding, including self-supporting debt of the County or local municipalities.

⁽³⁾Pro rata 1.78% share of \$292,412,000 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 2015-16	\$220,793,386
Total Revenues for FY 2016-17	233,297,223
Total Revenues for FY 2017-18 (est.)	240,520,665
<i>Total Revenues, All Three Fiscal Years</i>	<u>\$694,611,274</u>
Annual Arithmetic Average (Borrowing Base)	<u><u>\$231,537,091</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.....	\$520,958,456	\$265,300,000	\$255,658,456

*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 2018</u>			<u>Total Requirements</u>
		<u>Principal</u>	<u>Interest</u>	<u>Subtotal</u>	
2018-19	\$25,602,950	\$0	\$177,704	\$177,704	\$25,780,654
2019-20	25,563,355	5,000	336,703	341,703	25,905,058
2020-21	25,546,210	5,000	336,578	341,578	25,887,788
2021-22	25,490,205	5,000	336,453	341,453	25,831,658
2022-23	25,328,663	5,000	336,328	341,328	25,669,990
2023-24	24,748,520	5,000	336,203	341,203	25,089,723
2024-25	24,687,275	5,000	336,053	341,053	25,028,328
2025-26	24,683,443	5,000	335,903	340,903	25,024,345
2026-27	24,576,885	5,000	335,753	340,753	24,917,638
2027-28	24,850,270	5,000	335,603	340,603	25,190,873
2028-29	23,741,478	5,000	335,453	340,453	24,081,930
2029-30	23,019,515	5,000	335,303	340,303	23,359,818
2030-31	14,271,965	970,000	335,153	1,305,153	15,577,118
2031-32	14,276,840	995,000	305,083	1,300,083	15,576,923
2032-33		1,030,000	273,740	1,303,740	1,303,740
2033-34		1,060,000	240,780	1,300,780	1,300,780
2034-35		1,095,000	205,800	1,300,800	1,300,800
2035-36		1,135,000	167,475	1,302,475	1,302,475
2036-37		1,175,000	127,750	1,302,750	1,302,750
2037-38		1,215,000	86,625	1,301,625	1,301,625
2038-39		1,260,000	44,100	1,304,100	1,304,100
Total	\$326,387,573	\$9,990,000	\$5,660,537	\$15,650,537	\$342,038,109

*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***

2017-18 (estimated) Commonwealth Aid Received	\$42,747,951
2017-18 (estimated) Debt Service Requirements	24,855,902
Maximum Future Debt Service Requirements after Issuance of Bonds	25,905,058
2017-18 (estimated) Coverage of Debt Service Requirements	1.72 times
Coverage of Maximum Future Debt Service Requirements after Issuance of Bonds	1.65 times

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

Future Financing

The School District anticipates issuing additional long-term debt of approximately \$25,000,000 within the next two (2) years to fund a continuous capital improvements program.

LABOR RELATIONS

School District Employees

There are approximately 1,394 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, 2022. Secretarial and clerical personnel are represented by the Pennsylvania Education Association (ESPA-PSEA-NEA) under a contract which expires June 30, 2019. Custodial and maintenance personnel are represented by ESPA-PSEA under a contract which expires June 30, 2019.

Pension Program

Currently, all Pennsylvania school districts and intermediate units participate in a pension program administered by the Commonwealth. The program is formally known as the Public School Employees' Retirement System ("PSERS"), and a percentage of each eligible employee's salary is contributed by the employee, the School District and the Commonwealth. All full-time employees, part-time employees salaried over eighty days per year and hourly employees with over five hundred hours per year participate in the program.

Contributions are required by active members, School Districts, and the Commonwealth of Pennsylvania as established by the Public School Employees' Retirement Code. Members who enrolled prior to January 1, 2002 range from 5.28% to 7.5% of compensation, depending upon the date of commencement of employment and elections made by each employee member. Members who enrolled in the pension plan on or after January 1, 2002 and before July 1, 2011 is 7.5% of compensation. The contribution rate for PSERS members who enrolled on or after July 1, 2011 is 7.5% or 10.3%, depending upon elections made by each employee member. The PSERS Board of Trustees certified an annual employer contribution rate of 33.43% for the fiscal year 2018-19. Current financial projections indicate the possibility of increases in the contribution rate in the next five years.

The Commonwealth will reimburse the School District at the rate of 50% of its total contributions with respect to all employees who were hired prior to July 1, 1994. With respect to employees hired after July 1, 1994, and who were not previously employed by another public school system in the Commonwealth, the School District will be reimbursed by the Commonwealth at the rate of the higher of 50% of contributions made by the School District or the current Market Value/Personal Income Aid Ratio. The School District is reimbursed on a quarterly basis.

Under Act 5 of 2017 ("Act 5") PSERS will transition from a traditional defined benefit system and begin to offer defined contribution plans as well. Beginning July 1, 2019, in addition to other transaction rules and options based on members' classifications, certain classes of active members may choose to switch from the current defined benefit plan to one of three new retirement benefit plan options which will be available. Additionally, all active members newly hired on or after July 1, 2019 will be required to select one of those three new retirement benefit plan options and will not be eligible to participate in the current defined benefit plan. The three new plans consist of two hybrid plans, with defined benefit and defined contribution components, along with a stand-alone defined contribution plan.

In addition to its comprehensive change in available plans for active members, Act 5 also made certain changes to the PSERS Board of Trustees and administrative protocols and created the Public Pension Management and Asset Investment Review Commission to study and make recommendations to the General Assembly and the Governor regarding investment performance and strategies.

According to the Independent Fiscal Office, Act 5 is not expected to reduce school district and state contributions to PSERS over the first fifteen years. However, beginning in fiscal 2034-35 through fiscal 2049-50, employer contribution rates are expected to begin to decline due to the lower long-term employer costs of the new benefit plans and will be lower, in the aggregate, over the study period.

Annual School District contributions have been as follows:

2013-14	14,359,550
2014-15	18,609,908
2015-16	22,726,052
2016-17	27,068,705
2017-18	30,058,231
2018-19 (budgeted)	32,019,484

At June 30, 2017, the School District reported a liability of \$337,581,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by rolling forward the PSERS total pension liability as of June 30, 2015 to June 30, 2016. The School District's proportion of the net pension liability was calculated utilizing its one-year reported covered payroll as it relates to the total one-year reported covered payroll of all school districts. At June 30, 2016, the School District's proportion as 0.6812% which was an increase of 0.0046% from its proportion measured as of June 30, 2015.

As of June 30, 2016, the PSERS plan was 57.3% funded, with an unfunded actuarial accrued liability of approximately \$42.7 billion. PSERS' rate of return for fiscal year ended June 30, 2017 was 10.14%. The Fund had plan net assets of \$53.5 billion at June 30, 2017. For more information, visit the PSERS website at www.psers.pa.gov, which is not incorporated by specific reference into this Official Statement.

Source: School District Administrative Officials and PSERS.

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, 2016, 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 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]
7/1/2016	\$ -	\$14,404,099	\$14,404,099	0.00%	\$86,476,720	16.66%
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, 2016 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 – 12 year open period
- 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	\$ 634,972
Amortization of unfunded actuarial accrued liability	1,357,968
Interest on net OPEB Obligation	18,278
Funding Adjustment	(38,292)
ANNUAL OPEB COST	\$1,972,926
Net OPEB Obligation (Asset):	
Net OPEB Obligation July 1, 2016	\$ 406,171
OPEB Cost for the year ended June 30, 2017	1,972,926
Contributions for year ended June 30, 2017	(1,709,841)
NET OPEB OBLIGATION (ASSET)	\$ 669,256

Source: 2017 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 the 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 MATTERS

Federal

Exclusion of Interest from Gross Income

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and court decisions, interest on the Bonds will not be includible in gross income of the holders thereof for federal income tax purposes assuming continuing compliance by the School District with the requirements of the Internal Revenue Code of 1986, as amended (the “Code”). Interest on the Bonds will not be a specific preference item for purposes of computing the federal alternative minimum tax on individuals.

In rendering its opinion, Bond Counsel has assumed compliance by the School District with its covenants contained in the Resolution and its representations in the Tax Compliance Certificate executed by the School District on the date of issuance of the

Bonds (the “Tax Compliance Certificate”) relating to actions to be taken by the School District after issuance of the Bonds necessary to effect or maintain the exclusion from gross income of interest on the Bonds for federal income tax purposes. These covenants and representations relate to, inter alia, the use and investment of proceeds of the Bonds, and the rebate to the United States Department of Treasury of specified arbitrage earnings, if any. Failure to comply with such covenants could result in interest on the Bonds becoming includible in gross income for federal income tax purposes from the date of issuance of the Bonds.

Qualified Tax-Exempt Obligations for Financial Institutions

Code Section 265 provides, in general, that interest expense to acquire or carry tax-exempt obligations is not deductible from the gross income of the owner of such obligations. In addition, Code Section 265 provides a complete (100%) disallowance of a deduction for interest expense incurred by “financial institutions” described in such section that is allocable, as computed under Code Section 265, to tax-exempt interest on obligations acquired after August 7, 1986. Code Section 265(b) provides an exception to this rule for interest allocable to tax-exempt obligations (other than private activity bonds) that are designated or deemed designated by an issuer, such as the School District, as “qualified tax-exempt obligations.” An issuer may make such designation only if the amount of the issue, when added to the amount of all other tax-exempt obligations other than private activity bonds) issued or reasonably anticipated to be issued by the issuer during the calendar year, does not exceed \$10,000,000. **Each of the Bonds have been or will be designated or deemed designated by the School District as a “qualified tax exempt obligation” prior to the closing for the Bonds. The School District will certify its expectation that the above-described \$10,000,000 ceiling will not be exceeded.**

Other Federal Tax Matters

Ownership or disposition of the Bonds may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, holders of an interest in a financial asset securitization investment trust property and casualty insurance companies, individuals who otherwise qualify for the earned income credit and taxpayers who have an initial basis in the Bonds greater or less than the principal amount thereof, individual recipients of Social Security or Railroad Retirement benefits and taxpayers, including banks, thrift institutions and other financial institutions, subject to Code Section 265, who may be deemed to have incurred or continued indebtedness to purchase or to carry the Bonds.

Bond Counsel is not rendering any opinion regarding any federal tax matters other than as described under the caption “Exclusion of Interest from Gross Income” above and expressly stated in the form of Bond Counsel opinion included as Appendix B. Purchasers of the Bonds should consult their independent tax advisors with regard to all federal tax matters.

Pennsylvania

In the opinion of Bond Counsel, under the laws of the Commonwealth as enacted and construed on the date hereof, interest on the Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax, and the Bonds are exempt from personal property taxes in Pennsylvania; however, under the laws of the Commonwealth, as enacted and construed on the date hereof, any profits, gains or income derived from the sale, exchange or other disposition of the Bonds will be subject to Pennsylvania taxes and local taxes within the Commonwealth.

Other

The Bonds and the interest thereon may be subject to state and local taxes in jurisdictions other than the Commonwealth under applicable state or local tax laws.

Purchasers of the Bonds should consult their independent tax advisors with regard to all state and local tax matters that may affect them.

CONTINUING DISCLOSURE UNDERTAKING

In accordance with Rule 15c2-12 (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 access 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]
6/30/2013	12/27/2013	12/18/2013	ER594251	12/18/2013 ^[3]	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
6/30/2017	12/27/2017	12/12/2017	ER862938	12/12/2017	ER862925	12/12/2017	ER862931

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] 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 filed a clarification filing detailing the instances of the past filing failures, and, where appropriate, filed Failure to Timely File Notices. For fiscal year 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 \$9,897,455.95, equal to the par value of the Bonds less an underwriters' discount of \$98,901.00, plus a net original issue premium of \$6,356.95.

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 Eckert Seamans Cherin & Mellott, LLC, 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>	<u>Persons Per</u> <u>Household</u>
Chester County	26.2%	11.7%	2.7
Pennsylvania	23.8%	15.6%	2.5

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

Employment

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

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

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

Establishment Data	Industry Employment				Net Change From:	
	Jun 2018	May 2018	Apr 2018	Jun 2017	May 2018	Jun 2017
TOTAL NONFARM	1,087,100	1,082,000	1,073,200	1,078,000	5,100	9,100
TOTAL PRIVATE	1,003,000	997,200	988,000	995,200	5,800	7,800
GOODS PRODUCING	144,700	143,500	139,700	146,300	1,200	-1,600
Construction, Natural Resources, and Mining	53,800	53,200	50,300	54,400	600	-600
Manufacturing	90,900	90,300	89,400	91,900	600	-1,000
Durable Goods	46,400	46,000	45,400	47,200	400	-800
Non-Durable Goods	44,500	44,300	44,000	44,700	200	-200
Chemical Manufacturing	19,600	19,500	19,400	19,600	100	0
SERVICE-PROVIDING	942,400	938,500	933,500	931,700	3,900	10,700
PRIVATE SERVICE-PROVIDING	858,300	853,700	848,300	848,900	4,600	9,400
Trade, Transportation, and Utilities	204,300	202,400	201,700	204,000	1,900	300
Wholesale Trade	57,500	56,500	57,000	56,700	1,000	800
Retail Trade	118,200	117,500	117,100	119,100	700	-900
General merchandise stores	17,900	17,900	17,700	17,900	0	0
Transportation, Warehousing, and Utilities	28,600	28,400	27,600	28,200	200	400
Information	20,400	20,400	20,400	21,700	0	-1,300
Financial Activities	84,100	83,800	82,900	82,800	300	1,300
Finance and insurance	68,800	68,800	68,200	67,700	0	1,100
Credit Intermediation and Related Activities	16,600	16,500	16,500	16,600	100	0
Depository Credit Intermediation	9,500	9,400	9,400	9,500	100	0
Insurance carriers and related activities	28,000	27,700	27,600	27,700	300	300
Real estate and rental and leasing	15,300	15,000	14,700	15,100	300	200
Professional and Business Services	210,600	211,400	209,700	205,300	-800	5,300
Professional and technical services	110,200	109,900	109,400	108,800	300	1,400
Scientific research and development services	18,000	17,800	17,600	17,100	200	900
Management of companies and enterprises	28,200	27,900	27,800	27,000	300	1,200
Administrative and waste services	72,200	73,600	72,500	69,500	-1,400	2,700
Education and Health Services	196,000	198,300	199,500	191,300	-2,300	4,700
Educational services	25,600	28,200	30,500	24,900	-2,600	700
Health care and social assistance	170,400	170,100	169,000	166,400	300	4,000
Ambulatory health care services	63,200	63,300	62,900	61,100	-100	2,100
Hospitals	32,200	32,000	31,900	32,300	200	-100
Nursing and residential care facilities	38,300	38,300	38,000	38,200	0	100
Social assistance	36,700	36,500	36,200	34,800	200	1,900
Leisure and Hospitality	94,700	89,500	86,800	94,700	5,200	0
Accommodation and food services	72,300	70,400	69,800	72,700	1,900	-400
Other Services	48,200	47,900	47,300	49,100	300	-900
Government	84,100	84,800	85,200	82,800	-700	1,300
Federal Government	5,900	5,900	6,000	6,100	0	-200
State Government	10,000	9,800	10,000	8,800	200	1,200
Local Government	68,200	69,100	69,200	67,900	-900	300
Local Government educational services	47,000	48,600	48,900	45,900	-1,600	1,100
Local Government excluding educational services	21,200	20,500	20,300	22,000	700	-800
Data benchmarked to March 2017	***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
4th Quarter 2017
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. Giant Food Stores LLC
8. PA State System of Higher Education
9. The Devereux Foundation
10. United Parcel Service Inc
11. Downingtown Area School District
12. YMCA of Greater Brandywine Valley
13. Chester County Intermediate
14. West Chester Area School District
15. Janssen Research & Development LLC
16. Cerner Health Services Inc
17. Wawa Inc
18. Comcast Cablevision Corp (PA)
19. Communications Test Design Inc
20. State Government
21. George Krapf Jr & Sons Inc
22. Wal-Mart Associates Inc
23. Wegmans Food Markets Inc
24. ACME Markets Inc
25. Sweet Home Primary Care LLC

*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**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018⁽¹⁾</u>	Compound Average Annual % Rate
Chester County							
Civilian Labor Force (000)	273.5	272.3	276.4	281.1	281.1	285.6	0.87%
Employment (000)	258.9	261.0	266.2	270.1	271.1	276.2	1.30%
Unemployment (000)	14.5	11.2	10.2	11.0	10.1	9.4	-8.30%
Unemployment Rate	5.30%	4.10%	3.70%	3.90%	3.60%	3.30%	
Pennsylvania							
Civilian Labor Force (000)	6,460.0	6,378.0	6,424.0	6,472.0	6,427.0	6,448.0	-0.10%
Employment (000)	5,982.0	6,009.0	6,094.0	6,120.0	6,112.0	6,165.0	0.43%
Unemployment (000)	478.0	370.0	330.0	352.0	316.0	283.0	-7.94%
Unemployment Rate	7.40%	5.80%	5.10%	5.40%	4.90%	4.40%	

⁽¹⁾As of June 2018.

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>	Percentage Change <u>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 2013-2017 period for the County and the Commonwealth.

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

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Chester County	\$ 8,705,297	\$ 12,708,571	\$ 12,869,709	\$ 11,499,691	\$ 13,969,322
Pennsylvania.....	187,412,600	199,975,257	198,215,135	207,887,941	213,005,475

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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[FORM OF BOND COUNSEL OPINION]

_____, 2018

Re: \$9,990,000 aggregate principal amount
West Chester Area School District, Chester and Delaware Counties, Pennsylvania
General Obligation Bonds, Series of 2018

To the Purchasers of the Within-Described Bonds:

We have served as Bond Counsel to the West Chester Area School District, in Chester and Delaware Counties, Pennsylvania (“Issuer”), in connection with the issuance of its \$9,990,000 aggregate principal amount General Obligation Bonds, Series of 2018 (the “Bonds”). The Bonds are issued pursuant to, and are secured by, the Pennsylvania Local Government Unit Debt Act, 53 Pa. C.S. Chs. 80-82 (“Act”), and a Resolution (“Resolution”) adopted on September 24, 2018, by the Board of School Directors of the Issuer (“Board”).

The Bonds are being issued to plan, design, acquire, construct, furnish and equip additions and improvements to the School District’s existing elementary schools and, to the extent of remaining funds, other buildings and facilities of the School District, and pay the costs of issuing the Bonds.

As Bond Counsel for the Issuer, we have examined: (a) the relevant provisions of the Constitution of the Commonwealth of Pennsylvania (“Commonwealth”); (b) the Act; (c) the relevant provisions of the Public School Code of 1949, as amended; (d) the Resolution and the Debt Statement of the Issuer filed with the Pennsylvania Department of Community and Economic Development (“Department”); (e) the proceedings of the Board with respect to the authorization, issuance and sale of the Bonds; (f) a Certificate of Approval issued by the Department in respect of the proceedings authorizing the issuance of the Bonds; and (g) certain statements, certifications, affidavits and other documents and matters of law which we have considered relevant, including, without limitation, a certificate dated the date hereof (“Tax Compliance Certificate”) of officials of the Issuer having responsibility for issuing the Bonds, given pursuant to the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder (“Code”), an opinion of the Solicitor to the Issuer as to various matters, and the other documents, certifications and instruments listed in the Closing Index filed with the Paying Agent (hereinafter defined) on the date of original delivery of the Bonds. We have also examined a fully executed and authenticated Bond, or a true copy thereof, and assume all other Bonds are in such form and are similarly executed and authenticated.

The Issuer has designated or is deemed to have designated each of the Bonds as a “qualified tax-exempt obligation” as defined in and for the purposes of Section 265(b)(3) of the Code.

In rendering the opinion set forth below, we have relied upon the genuineness, accuracy and completeness of all documents, records, certifications and other instruments we have examined, including, without limitation, the authenticity of all signatures appearing thereon. We have also relied, in the opinion set forth below, upon the opinion of the Solicitor of the Issuer as to all matters of fact and law set forth therein.

Except with respect to paragraph 6 below, our opinion is given only with respect to the internal laws of the Commonwealth as enacted and construed on the date hereof.

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

1. The Issuer is authorized under the provisions of the Constitution and the laws of the Commonwealth to issue the Bonds.

2. The Issuer has established, in accordance with the Debt Act, a sinking fund for the Bonds (the "Sinking Fund") with Manufacturers and Traders Trust Company, as paying agent, registrar and sinking fund depository ("Paying Agent"), and has covenanted in the Resolution to deposit in the Sinking Fund amounts sufficient to pay the principal of and interest on the Bonds as the same becomes due and payable and to apply the amounts so deposited to the payment of such principal and interest.

3. The Issuer has effectively covenanted: (i) to include the amount of debt service on the Bonds in each fiscal year of the Issuer in which such sums are due and payable in its budget for that fiscal year; (ii) to appropriate such amounts from its general revenues for the payment of such debt service; and (iii) to duly and punctually pay, or cause to be paid, from the Sinking Fund or any other of its general revenues or funds, the principal or redemption price of and interest on the Bonds on the dates and in the place and in the manner stated in the Bonds according to the true intent and meaning thereof. For such budgeting, appropriation and payment the Issuer has pledged, with respect to the Bonds, its full faith, credit and taxing power, within the limits established by law.

4. The Bonds have been duly authorized, executed, authenticated, issued and delivered, and are the legal, valid and binding general obligations of the Issuer, and are enforceable in accordance with the terms thereof, except to the extent that enforcement thereof may be affected by bankruptcy, insolvency, reorganization, moratorium or other similar laws or legal or equitable principles affecting the enforcement of creditors' rights.

5. Under the laws of the Commonwealth as enacted and construed on the date hereof, interest on the Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax, and the Bonds are exempt from personal property taxes in the Commonwealth; however, under the laws of the Commonwealth as enacted and construed on the date hereof, any profits, gains or income derived from the sale, exchange or other disposition of the Bonds will be subject to Commonwealth taxes and local taxes within the Commonwealth.

6. Under existing statutes, regulations, rulings and court decisions, interest on the Bonds, including any interest accruing in the form of original issue discount, will not be includible in gross income of the holders thereof for federal income tax purposes, assuming continuing compliance by the Issuer with the requirements of the Code. Interest on the Bonds will not be a specific preference item for purposes of computing the federal alternative minimum tax on individuals.

In rendering this opinion, we have assumed compliance by the Issuer with the covenants contained in the Resolution and the representations in the Tax Compliance Certificate relating to actions to be taken by the Issuer after the issuance of the Bonds necessary to effect or maintain the exclusion from gross income of the interest on the Bonds for federal income tax purposes. These covenants and representations relate to the use and investment of proceeds of the Bonds, and the rebate to the United States Department of Treasury of specified arbitrage earnings, if any. Failure to comply with such covenants could result in the interest on the Bonds becoming includible in gross income for federal income tax purposes from the date of issuance of the Bonds.

We express no opinion as to any matter not set forth in the numbered paragraphs herein. This opinion is rendered on the basis of federal law and the laws of the Commonwealth of Pennsylvania as enacted and construed on the date hereof. This opinion is given as of the date hereof and we assume no obligation to supplement this opinion to reflect changes in law that may hereafter occur or changes in facts or circumstances that may hereafter come to our attention. Without limiting the generality of the foregoing, we express no opinion with respect to, and assume no responsibility for, the accuracy, adequacy or completeness of the preliminary official statement or the official statement prepared in respect of the Bonds, and make no representation that we have independently verified the contents thereof.

Very truly yours,

ECKERT SEAMANS CHERIN & MELLOTT, LLC

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APPENDIX C
Form of Continuing Disclosure Certificate

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CONTINUING DISCLOSURE CERTIFICATE

Re: WEST CHESTER AREA SCHOOL DISTRICT,
Chester and Delaware Counties, Pennsylvania
\$9,990,000 Aggregate Principal Amount
General Obligation Bonds, Series of 2018
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 2018 (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.

“EMMA” shall mean the MSRB’s Electronic Municipal Market Access System at <http://emma.msrb.org>.

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

“MSRB” shall mean the Municipal Securities Rulemaking Board. *As of the date of this Disclosure Certificate, the rules of the MSRB require all filings described herein shall be made using EMMA.*

“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, 2019, 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 its most recent completed fiscal year.

Each Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information, as provided in this Section of this Disclosure Certificate; provided, however, that if the audited financial statements of the School District for the most recent completed fiscal year are not available to be included in the Annual Report when filed, such audited financial statements may be filed separately from the balance of the Annual Report, as provided in the following paragraph.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the School District or related public entities, which have been made available to the public on the MSRB's internet website or filed with the SEC. The School District shall identify each other document so incorporated by reference.

If the audited financial statements of the School District for the most recent fiscal years are not available as of the date on which the Annual Report is to be filed, the audited financial statements shall be filed with the MSRB as soon as they are available, and the Annual Report when filed, shall contain a statement to that effect and a statement of the date by which the School District reasonably expects the audited financial statements to become available and to be filed with the MSRB.

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.

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 EMMA.

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, defeasance, 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

APPENDIX D
Financial Statements
West Chester Area School District
West Chester, Pennsylvania
June 30, 2017

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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, 2017



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

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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, 2017



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
782 Springdale Drive
Exton, Pennsylvania 19341

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WEST CHESTER AREA SCHOOL DISTRICT

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WEST CHESTER AREA SCHOOL DISTRICT

INTRODUCTORY SECTION



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WEST CHESTER AREA SCHOOL DISTRICT

Inspiring students to achieve their personal best

December 6, 2017

Dear Community Member,

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of West Chester Area School District for the fiscal year ended June 30, 2017. 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 2016-17 fiscal year. The Business Office staff and management are responsible for the accuracy of the statements, notes, schedules and statistical tables. We believe that the information in the report is a fair presentation of the financial position and the results of operations of the District based upon a comprehensive framework of internal controls that have been established for this purpose. The report is prepared in accordance with generally accepted accounting and financial reporting principles applicable to governmental entities in the United States of America. Most importantly, this report will provide the reader with a comprehensive understanding of the District's financial affairs.

Barbacane, Thornton & Company LLP, Certified Public Accountants, have audited the District's financial statements. They have issued unmodified opinions on the West Chester Area School District's financial statements for the year ended June 30, 2017. Their report is located at the beginning of the Financial Section of the CAFR.

The Management's Discussion and Analysis (MD&A), which follows the independent auditors' report, provides an overview of the District's financial performance during the fiscal year ended June 30, 2017. It should be read in conjunction with this transmittal letter and the District's basic financial statements.

Reporting Entity

The West Chester Area School District is an independent reporting entity and a primary government as defined in the criteria established in the Governmental Accounting Standards Board's (GASB) Statement No. 14. The basic criteria for determining the inclusion in the reporting entity is financial accountability and the nature and significance of the relationship.

Profile of the District

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

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

The purpose of the District is to provide an education system Kindergarten through 12th grade, including regular instruction, special instruction, vocational education and support services to the approximately 15,700 students that live within the school district boundaries. To accomplish this goal, the District operates ten (10) elementary schools, three (3) middle schools and three (3) high schools. Additionally, the District is required to pay the tuition for the 678 children that live within the District boundaries that attend charter schools. During the year ended June 30, 2017, the District paid \$9,818,843 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 the requirement to adopt an annual operating budget setting forth District expenditures and revenues and to establish the tax levy prior to the beginning of each fiscal year. The total amount of the budget may not exceed expected revenue plus a prudent and reasonable contingency and reserve. At least thirty days prior to adoption of the final budget, the Board prepares and presents a proposed budget, which is set forth in detail using the forms required by the Pennsylvania Department of Education. The Board holds one or more public hearings on the annual budget prior to the meeting at which it is formally adopted.

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

Internal Controls

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

established policies and procedures to effectively implement and maintain a system of internal accounting controls. Management and independent auditors continually evaluate these policies and procedures to ensure the adequacy and effectiveness of the internal control structure.

Economic Condition and Outlook

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

That having been said, the District has been impacted by a number of factors. In 2006, the Pennsylvania General Assembly passed into law Act 1 of 2006. This law places restrictions on the amount that school districts can raise property taxes to within a cost of living increase. The law does allow for exceptions to Act 1 tax increase above the index for Special Education and State Retirement purposes. In 2016-17, the District's base index was 2.4%. The School Board opted to utilize part of the allowable exception for Special Education to increase property taxes by 2.7%.

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 2016-17 fiscal year and will then start to level off for the 2017-18 fiscal year. The District contribution rate will increase from the 2016-17 contribution rate of 30.03% to the projected rate of 32.57% in 2017-18. Both Federal and State revenues remain relatively flat over the past few years and the District anticipates minimal increases in the upcoming years.

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

Long-Term Financial Planning and Financial Policies

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

Major Initiatives

The District is in the middle of a multiyear elementary school renovation project. The most recent elementary school master plan projects renovating all of the District's ten (10) elementary schools between 2011-12 and 2025-26. In 2016-17, the District completed a majority of the renovations at Exton Elementary school and has completed the planning phase of the renovations at East Goshen Elementary school. The original construction and renovation of the District buildings is included in the statistical section of the CAFR under operating information.

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 2017-18 school year. The full-day kindergarten program will provide for increased instructional time for students which will result in learning gains.

Independent Audit

The District engages an independent certified public accounting firm to audit the District's annual financial statements. The auditor's report on the fiscal 2016-17 financial statements is included in the Financial Section of this report and complies with applicable guidelines.

Awards

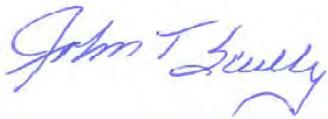
The Association of School Business Officials International (ASBO) awarded the Certificate of Excellence (COE) in Financial Reporting to the West Chester Area School district for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2016. This

award confirms the school business officials' commitment to financial accountability and transparency. Recognition through the COE program can help strengthen a district's presentation for bond issuance statements and promotes a high level of financial reporting.

Acknowledgements

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

Respectfully,

A handwritten signature in blue ink that reads "John T. Scully". The signature is written in a cursive style with a prominent initial "J" and a flourish at the end.

John Scully
Director of Business Affairs

WEST CHESTER AREA SCHOOL DISTRICT

2016-17 School Board Members

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

District Administrators

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



ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

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

West Chester Area School District

**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2016.**

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



A handwritten signature in black ink, appearing to read 'Anthony N. Dragona'. The signature is written over a horizontal line.

Anthony N. Dragona, Ed.D., RSBA
President

A handwritten signature in black ink, appearing to read 'John D. Musso'. The signature is written over a horizontal line.

John D. Musso, CAE, RSBA
Executive Director

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WEST CHESTER AREA SCHOOL DISTRICT

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

December 6, 2017

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the West Chester Area School District ("the District"), Exton, Pennsylvania, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Board of School Directors
West Chester Area School District

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, Exton, Pennsylvania, as of June 30, 2017, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 13 through 24, schedule of the District's proportionate share of the net pension liability on page 64, and 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 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.

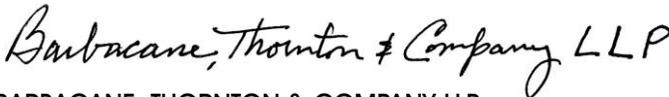
Board of School Directors
West Chester Area School District

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, 2017, 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, 2017**

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, 2017. 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 11,600 students. The District serves a 75 square mile suburban, urban, and rural area in Chester County, Pennsylvania and is comprised of West Chester Borough and the surrounding townships of East Goshen, West Goshen, East Bradford, West Whiteland, Westtown, and Thornbury in Chester County and Thornbury Township in Delaware County. The Staff, headed by Superintendent Dr. Jim Scanlon, includes more than 940 teachers, 60 administrators, and 400 support staff. More than 70 percent of our certified teaching staff, and 100 percent of our administrative staff, hold advanced degrees. Student achievement is the primary focus in the District as it is consistently ranked among the best in the state and nation, with 93 percent of its graduates attending college after graduation. Recognition for 2017 includes U.S. News and World Report and Newsweek's Best Public High Schools in the nation. Niche, a national database of public schools, rated the District as 31 out of 500 Pennsylvania school districts, and The National Music Merchants rated the District as one of 37 districts in the state and 570 in the nation as Best Communities in Education.

FINANCIAL HIGHLIGHTS

- In 2016-17, the District saw evidence of an uptick in the local economy as it relates to the District's local revenues. Increases were recognized in real estate transfer tax revenue, investment income, and earned income revenues, all of which point to a healthier local economy.
- The largest District revenue stream is local property tax. In 2016-17, the School Board raised property taxes 2.7 percent or 0.5203 mills. The taxpayers in Chester County were assessed for property taxes at 20.0982 mills. (Please note that one mill is equal to one-tenth of a cent or \$0.001 of assessed value.) The Delaware County tax rate was assessed based upon the equalized millage calculation, which resulted in an increase in tax rate from 13.9059 mills in 2015-16 to 14.7113 mills in 2016-17.

WEST CHESTER AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
JUNE 30, 2017

- The Statement of Net Position reflects the actuarially determined net pension liability of \$337,581,000, deferred outflows of resources of \$65,824,300 comprising of contributions by the District made after the measurement date of June 30, 2016, changes in assumptions, changes in proportions, the net difference between projected and actual investment earnings, and the contribution made in excess of the required contributions in the year of the measurement date and deferred inflows of resources of \$2,812,000 comprised of the difference between expected and actual experience.
- On an entity-wide basis, the District's total net position was negative \$199,673,634 at June 30, 2017. This represented a decrease of 2.14 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 6.62 percent or \$14,610,135. This increase was driven by property tax revenue growth and other local revenues.
- On a fund level reporting basis, compared to the prior year, the District's General Fund expenditures increased \$14,598,078 or 6.80 percent. The driving factor in this increase was planned debt service expenditures and retirement expenditures. The District's pension contributions increased by 16.22 percent or \$4,342,653.

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.

WEST CHESTER AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
JUNE 30, 2017

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, state subsidies, federal subsidies, and grants finance most of these activities.
- **Business-type Activities** – The District operates a food service operation and charges fees to staff and students to cover the costs of the food service operation.

Fund Level Financial Statements

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

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

WEST CHESTER AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
JUNE 30, 2017

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

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

FINANCIAL ANALYSIS OF THE DISTRICT – ENTITY-WIDE STATEMENTS

The District's total net position was negative \$199,673,634 at June 30, 2017. This represents a decrease of \$4,190,622 over the prior year. The table below presents condensed financial information for the net position of the District as of June 30, 2017 and 2016.

Statement of Net Position
June 30, 2017 and 2016

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
ASSETS:						
Current and other assets	\$ 81,525,581	\$ 84,611,031	\$ 1,224,373	\$ 1,399,164	\$ 82,749,954	\$ 86,010,195
Capital assets	298,265,376	293,539,312	590,353	402,386	298,855,729	293,941,698
TOTAL ASSETS	379,790,957	378,150,343	1,814,726	1,801,550	381,605,683	379,951,893
Deferred outflows of resources	72,394,195	38,701,523	-	-	72,394,195	38,701,523
LIABILITIES:						
Current liabilities	43,316,580	40,823,380	347,337	356,595	43,663,917	41,179,975
Long-term liabilities	607,197,595	571,153,453	-	-	607,197,595	571,153,453
TOTAL LIABILITIES	650,514,175	611,976,833	347,337	356,595	650,861,512	612,333,428
Deferred inflows of resources	2,812,000	1,803,000	-	-	2,812,000	1,803,000
NET POSITION (DEFICIT):						
Net investment in capital assets	23,124,893	11,063,839	590,353	402,386	23,715,246	11,466,225
Restricted	22,444,089	27,440,218	-	-	22,444,089	27,440,218
Unrestricted (deficit)	(246,710,005)	(235,432,024)	877,036	1,042,569	(245,832,969)	(234,389,455)
TOTAL NET POSITION (DEFICIT)	\$(201,141,023)	\$(196,927,967)	\$ 1,467,389	\$ 1,444,955	\$(199,673,634)	\$(195,483,012)

The governmental activities restricted net position in the amount of \$22,444,089 are 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 \$245,832,969 included \$877,036 which could be used for capital and other expenses within the District's food service program.

WEST CHESTER AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
JUNE 30, 2017

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

The table below presents condensed financial information for the Statement of Activities in a different format so that the reader can see the total revenues for the year. Compared to the prior year, the District's total revenues increased by \$14,845,072, or 6.63 percent. The largest change in revenue occurred in property taxes. Property taxes increased \$5,454,636, or 3.5 percent. The balance of the revenue growth came from increases in operating grants and contributions and other taxes.

Expenses increased by \$13,409,217, or 5.84 percent. The largest drivers of this increase were instruction and instructional student support spending.

Statement of Activities
For the Years Ended June 30, 2017 and 2016

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
REVENUES						
Program revenues:						
Charges for services	\$ 1,227,448	\$ 1,375,344	\$2,493,463	\$2,293,122	\$ 3,720,911	\$ 3,668,466
Operating grants and contributions	32,894,525	27,743,196	823,346	973,508	33,717,871	28,716,704
General revenues:						
Property taxes	161,164,936	155,710,300	-	-	161,164,936	155,710,300
Other taxes	27,524,533	24,321,396	-	-	27,524,533	24,321,396
Grants, subsidies, and contributions not restricted	11,552,814	10,928,639	-	-	11,552,814	10,928,639
Other revenue	1,080,943	571,431	-	-	1,080,943	571,431
TOTAL REVENUES	235,445,199	220,650,306	3,316,809	3,266,630	238,762,008	223,916,936
EXPENSES						
Instruction	155,262,037	144,772,158	-	-	155,262,037	144,772,158
Instructional student support	18,519,607	17,710,876	-	-	18,519,607	17,710,876
Administrative/financial support	19,342,370	18,127,334	-	-	19,342,370	18,127,334
Operation and maintenance of plant services	18,039,504	17,439,654	-	-	18,039,504	17,439,654
Pupil transportation	14,429,271	14,042,517	-	-	14,429,271	14,042,517
Student activities	5,214,620	5,132,865	-	-	5,214,620	5,132,865
Community services	171,227	142,350	-	-	171,227	142,350
Interest on long-term debt	8,679,619	8,945,807	-	-	8,679,619	8,945,807
Food service	-	-	3,294,375	3,229,852	3,294,375	3,229,852
TOTAL EXPENSES	239,658,255	226,313,561	3,294,375	3,229,852	242,952,630	229,543,413

WEST CHESTER AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
JUNE 30, 2017

Statement of Activities
For the Years Ended June 30, 2017 and 2016

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
(cont'd)						
CHANGE IN NET POSITION (DEFICIT)	(4,213,056)	(5,663,255)	22,434	36,778	(4,190,622)	(5,626,477)
NET POSITION (DEFICIT), BEGINNING 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>
NET POSITION (DEFICIT), END OF YEAR	<u>\$ (201,141,023)</u>	<u>\$ (196,927,967)</u>	<u>\$1,467,389</u>	<u>\$1,444,955</u>	<u>\$ (199,673,634)</u>	<u>\$ (195,483,012)</u>

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 \$7,717,086, or 4.1 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.

<u>GOVERNMENTAL ACTIVITIES</u>	Total Cost of Services		Net Cost of Services	
	2017	2016	2017	2016
Instruction	\$ 155,262,037	\$ 144,772,158	\$ 133,887,730	\$ 125,305,348
Instructional student support	18,519,607	17,710,876	16,044,066	15,625,212
Administrative and financial support	19,342,370	18,127,334	17,675,707	16,671,133
Operation and maintenance of plant	18,039,504	17,439,654	14,095,723	15,917,789
Pupil transportation	14,429,271	14,042,517	10,715,750	10,335,388
Student activities	5,214,620	5,132,865	4,267,217	4,252,133
Community services	171,227	142,350	170,470	142,211
Interest on long-term debt	<u>8,679,619</u>	<u>8,945,807</u>	<u>8,679,619</u>	<u>8,945,807</u>
TOTAL GOVERNMENTAL ACTIVITIES	\$ 239,658,255	\$ 226,313,561	205,536,282	197,195,021
Less: Unrestricted grants and subsidies			<u>(11,552,814)</u>	<u>(10,928,639)</u>
TOTAL NEEDS FROM OTHER REVENUE SOURCES			\$ 193,983,468	\$ 186,266,382

WEST CHESTER AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
JUNE 30, 2017

<u>BUSINESS-TYPE ACTIVITIES</u>	<u>Total Cost of Services</u>		<u>Net Revenue of Services</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Food service	\$ 3,294,375	\$ 3,229,852	\$ (22,434)	\$ (36,778)

THE DISTRICT FUNDS

General Fund

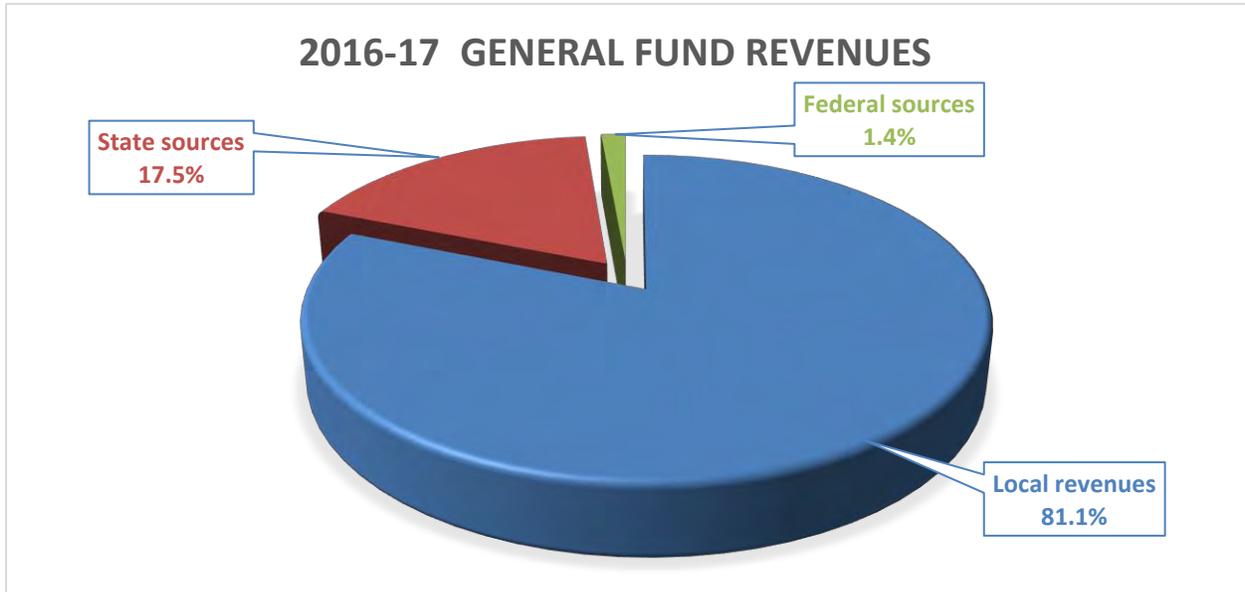
At June 30, 2017, the District reported a General Fund fund balance of \$28,780,193, which represents 12.6 percent of total expenditures and was an increase of \$19,215 over the prior year. Of this amount, the District committed \$4,159,909 for the purpose of healthcare rate stabilization. Due to the nature of self-insuring health insurance claims, the District experiences volatility in annual health insurance costs. To smooth these expenditures, in 2011 the District established a health insurance rate stabilization fund and for the current year, the District maintained a balance consistent with the prior year of \$4,159,909. The District continued its commitment of \$1,117,000 for PSERS costs. Lastly, the District assigned \$7,227,366 of the fund balance towards Tax Rate Stabilization. During 2017, to help fund fluctuations in alternative education cost, the District assigned \$500,000 for Alternative Education costs. These funds will be used to offset the 2017-18 budget gaps and eliminate the need for future tax increases. The School Board of West Chester Area School District manages the fund balance to respond to unforeseen contingencies and economic conditions. This philosophy was established during a healthy and growing economy within the District and accurate and timely forecasting which allows the District to constantly monitor economic trends within 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 \$79,324 is assigned for athletic activities.

REVENUE

General Fund Revenues, excluding other financing sources, total \$235,366,663, 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:

	<u>General Fund Revenues 2017</u>	<u>Percentage of Total</u>	<u>Increase/ (Decrease) from 2016</u>	<u>Variance Over/(Under) Final Budget</u>
Local sources	\$190,919,322	81.1%	\$ 8,834,628	\$ 2,614,235
State sources	41,156,644	17.5%	5,350,145	1,491,467
Federal sources	3,290,697	1.4%	425,362	1,807,688
TOTAL	\$235,366,663	100.0%	\$ 14,610,135	\$ 5,913,390

WEST CHESTER AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
JUNE 30, 2017



Local revenues increased by \$8,834,628. The District's real estate tax revenues increased \$5,060,585 from the prior year due to a 2.7 percent or 0.5203 mill increase in the tax rate. Additionally, earned income taxes increased by \$1,217,973, real estate transfer tax revenue increased by \$1,907,604, delinquent tax collection increased by \$479,513, and earnings on investment increased by \$399,729. The increases were offset by a decrease in other local tuition revenue of \$267,325.

The increase in State revenues is the net effect of an increase in annual revenue collections which occurred in State sourced revenues. The increase in State revenues is due to an increase in the District's retirement subsidy. The State reimburses the District for 50 percent of the District's pension cost. The dramatic increase in the State pension rates caused both an increase in the annual pension costs as well as an increase of \$2,202,315 in the related retirement subsidy reimbursement. In 2015-16, the District did not receive bond rental subsidy; however, for 2016-17, the District received \$2,104,117 which represents two years of funding. In addition to the rental and retirement subsidy increase, the District had increases in both basic instructional subsidy and special education subsidy of \$438,986 and \$101,307, respectively.

Federal revenues increased by 1.4 percent, the net effect of an increase in Title I funding, Medical Assistance funding, and IDEA funding in the amounts of \$184,294, \$161,599 and \$133,818, respectively.

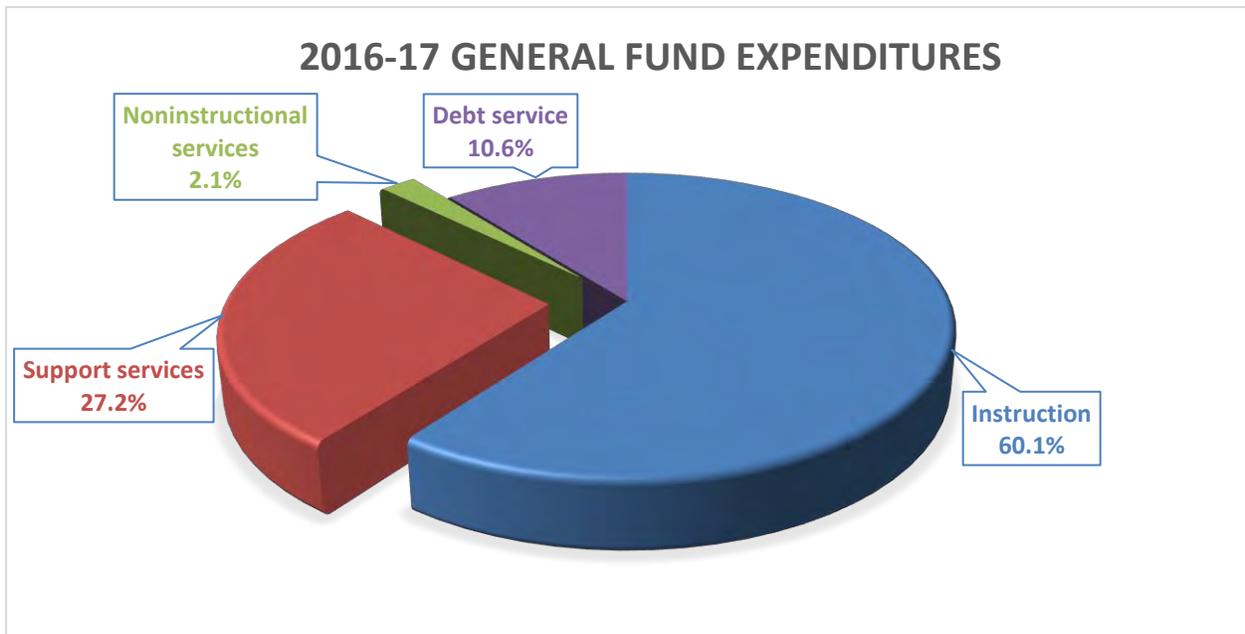
EXPENDITURES

General Fund expenditures, excluding transfers to other governmental funds, totaled \$229,188,797. This was an increase of \$14,598,078, or 6.8 percent, over the prior year; and it was \$2,042,170 under

WEST CHESTER AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
JUNE 30, 2017

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 2016-17 budget, are as follows:

	General Fund Expenditures 2017	Percentage of Total	Increase/ (Decrease) from 2016	Variance Over/(Under) Final Budget
Instruction	\$137,794,291	60.1%	\$ 7,298,927	\$ (966,292)
Support services	62,443,502	27.2%	1,501,685	(790,931)
Noninstructional services	4,865,617	2.1%	62,512	(284,946)
Debt service	24,085,387	10.6%	5,734,954	(1)
TOTAL	<u>\$229,188,797</u>	<u>100.0%</u>	<u>\$ 14,598,078</u>	<u>\$ (2,024,170)</u>



The driving factors for the 2016-17 increases in expenses were related to retirement expense, personnel salaries, contracted services, tuition expenses, and debt service expense. The District's employer pension expenses rose 19.1 percent in 2016-17. Salary, retirement, contracted services, and tuition expense increases drove the instructional expense increases. Retirement costs drove the increases in both support service and non-instructional support services expenses. The District increase in debt service expenses is the result of prior year reduction in debt service expense by taking advantage of the favorable interest rate market for borrowers and refinancing debt. The District did not have the same refinancing opportunities during the 2016-17 fiscal year.

WEST CHESTER AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
JUNE 30, 2017

Capital Projects Fund

Fiscal year 2016-17 represented the sixth 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, 2017, the District had a capital projects fund balance of \$4,354,841. This was an increase of \$316,003 from the prior year. The District reported net cash inflows of \$8,512,351 which represented the new bond funds secured to fund the latest elementary school renovations. The District also reported expenditures of \$8,196,348 in 2016-17. These expenditures were primarily related to the design and renovation of the elementary schools.

Capital Reserve Fund

The Capital Reserve Fund had a fund balance of \$22,444,089 at June 30, 2017. This was a \$4,996,129 decrease from the prior year. The Capital Reserve Fund is funded by transfers from the General Fund. In 2016-17, the capital outflows from the Capital Reserve Fund were spent on technology replacements, the purchase and renovation of an administration building, as well as repairs and maintenance projects. The Capital Reserve Fund received a transfer in of \$6,193,328 from the General Fund. This transfer represented general fund maintenance projects and debt service savings achieved through refinancing an existing bond issue. In the future, the District anticipates receiving funds related to the sale of the prior administrative building.

GENERAL FUND BUDGET

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

Due to legislative restrictions, the District must adopt a preliminary budget six months before the start of the fiscal year. Subsequent to the start of the fiscal year, the District's projections indicated that future budget years would experience a budgetary shortfall due to rising pension rates and limited local revenue increases. In reaction to this anticipated gap, the District has been conservative with spending. This is evident when reviewing the District's actual expenditures versus the approved budget. Total revenues were collected above budgeted amounts at \$5,913,390 over budget, or 2.58 percent. Total expenditures were under the amended budget by \$2,042,170, or 0.9 percent.

CAPITAL ASSETS

At June 30, 2017, the District had \$298,855,729 invested in a broad range of governmental capital assets, including land, buildings, and furniture and equipment. This amount represents a net increase (including additions, deletions, and depreciation) of \$4,914,031, or 1.7 percent from the prior year.

WEST CHESTER AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
JUNE 30, 2017

The District purchased and renovated a building for a total cost of \$5,957,163 to serve as the District's administrative offices. Additionally, the District's construction-in-progress balance decreased by \$2,993,920 from the prior year.

The following schedule depicts the capital assets for the period July 1, 2016 through June 30, 2017. 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	16,416,508	-	16,416,508
Buildings	417,377,413	-	417,377,413
Construction-in-progress	10,856,578	-	10,856,578
Furniture and equipment	36,659,286	1,232,178	37,891,464
TOTAL CAPITAL ASSETS	509,599,701	1,232,178	510,831,879
TOTAL ACCUMULATED DEPRECIATION	211,334,325	641,825	211,976,150
CAPITAL ASSETS, NET	\$ 298,265,376	\$ 590,353	\$ 298,855,729

DEBT ADMINISTRATION

As of June 30, 2017, the District had total outstanding bonds and related charges of \$281,710,378, a decrease of \$8,315,676 from the prior year. During 2016-17, the District refinanced \$7,495,000 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, 2017

	Principal Outstanding June 30, 2016	Maturities/ Refinancing	Additions	Principal Outstanding June 30, 2017
GENERAL OBLIGATION BONDS AND NOTES	\$ 266,615,000	\$ 21,540,000	\$ 15,995,000	\$ 261,070,000
<i>Deferred amounts:</i>				
Net issuance premium	23,411,054	2,867,759	97,083	20,640,378
LONG-TERM DEBT	\$ 290,026,054	\$ 24,407,759	\$ 16,092,083	\$ 281,710,378

WEST CHESTER AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
JUNE 30, 2017

OTHER LONG-TERM LIABILITIES

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

THE DISTRICT'S FUTURE

West Chester Area School District forecasts budgetary impacts five years forward. Looking forward, the District is currently forecasting expenses to outpace revenues, creating a budgetary gap. Local revenue, the District's largest budgetary stream, has shown signs of moderate growth over the past year. Interim real estate tax, earned income tax, growth in real estate tax base, and transfer tax collections all follow local economic trends. While State and Federal funding have increased recently, increases were driven by pension and social security subsidy increases that are mirrored by the cost and do not assist in addressing budgetary gaps. Expense growth in the future will continue to be driven by pension and healthcare costs. The District's employer pension contribution rate rose to 30.03 percent in 2016-17 and will continue to increase going forward. The District also projects an annual increase of 7.57 percent per year in health benefits.

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

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

FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors, and creditors with a general overview of the District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact Mr. John Scully, Director of Business Affairs, at the West Chester Area School District, 782 Springdale Drive, Exton, PA 19341, (484) 266-1020.

WEST CHESTER AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 21,543,609	\$ 17,037	\$ 21,560,646
Investments	44,994,605	955,711	45,950,316
Internal balances	(4,933)	4,933	-
Due from other governments	6,881,636	102,178	6,983,814
Other receivables	1,207,413	119,024	1,326,437
Taxes receivable	3,856,980	-	3,856,980
Prepaid expenses	3,046,271	-	3,046,271
Inventories	-	25,490	25,490
Total Current Assets	<u>81,525,581</u>	<u>1,224,373</u>	<u>82,749,954</u>
Noncurrent Assets:			
Capital assets			
Land	28,289,916	-	28,289,916
Construction-in-progress	10,856,578	-	10,856,578
Land improvements	16,416,508	-	16,416,508
Buildings	417,377,413	-	417,377,413
Furniture and equipment	36,659,286	1,232,178	37,891,464
Less: Accumulated depreciation	<u>(211,334,325)</u>	<u>(641,825)</u>	<u>(211,976,150)</u>
Total Noncurrent Assets	<u>298,265,376</u>	<u>590,353</u>	<u>298,855,729</u>
TOTAL ASSETS	<u>379,790,957</u>	<u>1,814,726</u>	<u>381,605,683</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	6,569,895	-	6,569,895
Deferred pension contributions	26,330,342	-	26,330,342
Deferred pension	39,493,958	-	39,493,958
TOTAL DEFERRED OUTFLOWS	<u>72,394,195</u>	<u>-</u>	<u>72,394,195</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 452,185,152</u>	<u>\$ 1,814,726</u>	<u>\$ 453,999,878</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)			
LIABILITIES			
Current Liabilities:			
Accounts payable and other current liabilities	\$ 23,961,822	\$ 168,249	\$ 24,130,071
Accrued interest	1,756,088	-	1,756,088
Unearned revenues	83,608	179,088	262,696
Bonds and notes payable, net	17,515,062	-	17,515,062
Total Current Liabilities	<u>43,316,580</u>	<u>347,337</u>	<u>43,663,917</u>
Noncurrent Liabilities:			
Bonds and notes payable, net	264,195,316	-	264,195,316
Accrued severance and compensated absences	4,752,023	-	4,752,023
Other post-employment benefits	669,256	-	669,256
Net pension liability	337,581,000	-	337,581,000
Total Noncurrent Liabilities	<u>607,197,595</u>	<u>-</u>	<u>607,197,595</u>
TOTAL LIABILITIES	<u>650,514,175</u>	<u>347,337</u>	<u>650,861,512</u>
DEFERRED INFLOW OF RESOURCES			
Deferred pension	2,812,000	-	2,812,000
NET POSITION (DEFICIT)			
Net investment in capital assets	23,124,893	590,353	23,715,246
Restricted for capital projects	22,444,089	-	22,444,089
Unrestricted (Deficit)	<u>(246,710,005)</u>	<u>877,036</u>	<u>(245,832,969)</u>
TOTAL NET POSITION (DEFICIT)	<u>(201,141,023)</u>	<u>1,467,389</u>	<u>(199,673,634)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)	<u>\$ 452,185,152</u>	<u>\$ 1,814,726</u>	<u>\$ 453,999,878</u>

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

**WEST CHESTER AREA SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

	Net (Expense) Revenue and Changes in Net Position (Deficit)			
	Expenses	Program Revenues		Totals
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES:				
Instruction	\$ 155,262,037	\$ 280,006	\$ 21,094,301	\$ -
Instructional student support	18,519,607	-	2,475,541	-
Administrative and financial support services	19,342,370	-	1,666,663	-
Operation and maintenance of plant services	18,039,504	509,869	3,433,912	-
Pupil transportation	14,429,271	-	3,713,521	-
Student activities	5,214,620	437,573	509,830	-
Community services	171,227	-	757	-
Interest on long-term debt	8,679,619	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	239,658,255	1,227,448	32,894,525	-
BUSINESS-TYPE ACTIVITIES:				
Food service	3,294,375	2,493,463	823,346	-
TOTAL PRIMARY GOVERNMENT	\$ 242,952,630	\$ 3,720,911	\$ 33,717,871	\$ -
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**WEST CHESTER AREA SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017**

	General Fund	Capital Projects Fund	Capital Reserve Fund	Other Governmental Fund	Totals
ASSETS					
Cash and cash equivalents	\$ 14,612,018	\$ 1,711,663	\$ 5,219,928	-	\$ 21,543,609
Investments	21,453,508	5,453,237	18,087,860	-	44,994,605
Taxes receivable	3,856,980	-	-	-	3,856,980
Due from other governments	6,881,636	-	-	-	6,881,636
Other receivables	1,207,413	-	-	-	1,207,413
Prepaid expenditures	2,688,371	-	357,900	-	3,046,271
TOTAL ASSETS	<u>\$ 50,699,926</u>	<u>\$ 7,164,900</u>	<u>\$ 23,665,688</u>	<u>\$ -</u>	<u>\$ 81,530,514</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES:					
Accounts payable and accrued liabilities	\$ 4,165,237	\$ 2,810,059	\$ 1,221,599	-	\$ 8,196,895
Unearned revenue	83,608	-	-	-	83,608
Due to other funds	4,933	-	-	-	4,933
Payroll accruals and withholdings	15,764,927	-	-	-	15,764,927
TOTAL LIABILITIES	<u>20,018,705</u>	<u>2,810,059</u>	<u>1,221,599</u>	<u>-</u>	<u>24,050,363</u>
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue - property taxes	1,901,028	-	-	-	1,901,028
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,901,028</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,901,028</u>
FUND BALANCES:					
Nonspendable	2,688,371	-	357,900	-	3,046,271
Restricted	-	4,354,841	22,086,189	-	26,441,030
Committed	5,276,909	-	-	-	5,276,909
Assigned	7,806,690	-	-	-	7,806,690
Unassigned	13,008,223	-	-	-	13,008,223
TOTAL FUND BALANCES	<u>28,780,193</u>	<u>4,354,841</u>	<u>22,444,089</u>	<u>-</u>	<u>55,579,123</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 50,699,926</u>	<u>\$ 7,164,900</u>	<u>\$ 23,665,688</u>	<u>\$ -</u>	<u>\$ 81,530,514</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, 2017**

TOTAL FUND BALANCES FOR GOVERNMENTAL FUNDS \$ 55,579,123

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 \$509,599,701, and accumulated depreciation was \$211,334,325. 298,265,376

Some of the District's revenues will be collected after year end but are not available soon enough to pay the current year's expenditures and, therefore, are reported as unavailable revenue - property taxes in the governmental funds. 1,901,028

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. 6,569,895

Other post-employment benefits (OPEB) are not financial resources and, therefore, are not reported in the governmental funds. (669,256)

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	\$ (1,756,088)	
Bonds and notes payable in future years, net	(281,710,378)	
Accumulated compensated absences	(4,752,023)	
Net pension liability	<u>(337,581,000)</u>	(625,799,489)

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	26,330,342	
Deferred outflows - pension	39,493,958	
Deferred inflows of resources:		
Deferred inflows - pension	<u>(2,812,000)</u>	<u>63,012,300</u>

TOTAL NET DEFICIT OF GOVERNMENTAL ACTIVITIES \$(201,141,023)

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, 2017**

	General Fund	Capital Projects Fund	Capital Reserve Fund	Other Governmental Fund	Totals
REVENUES					
Local sources	\$ 190,919,322	-	\$ 158,036	-	\$ 191,077,358
State sources	41,156,644	-	-	-	41,156,644
Federal sources	3,290,697	-	-	-	3,290,697
TOTAL REVENUES	<u>235,366,663</u>	<u>-</u>	<u>158,036</u>	<u>-</u>	<u>235,524,699</u>
EXPENDITURES					
Current:					
Instruction	137,794,291	-	1,860,890	-	139,655,181
Support services	62,443,502	186,434	878,852	141,354	63,650,142
Operation of noninstructional services	4,865,617	-	-	-	4,865,617
Debt service:					
Principal	14,160,000	-	-	-	14,160,000
Interest	9,925,387	-	-	-	9,925,387
Capital outlays	-	8,009,914	8,617,323	-	16,627,237
TOTAL EXPENDITURES	<u>229,188,797</u>	<u>8,196,348</u>	<u>11,357,065</u>	<u>141,354</u>	<u>248,883,564</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>6,177,866</u>	<u>(8,196,348)</u>	<u>(11,199,029)</u>	<u>(141,354)</u>	<u>(13,358,865)</u>
OTHER FINANCING SOURCES (USES)					
Refund of prior year expenditures	34,677	-	-	-	34,677
Bonds issued for refunding	-	-	-	7,495,000	7,495,000
Bonds issued for capital projects	-	8,500,000	-	-	8,500,000
Payment to refund bonds	-	-	-	(7,438,378)	(7,438,378)
Premium on bonds issued	-	-	-	97,083	97,083
Proceeds from sale of capital assets	-	-	9,572	-	9,572
Transfers in	-	12,351	6,193,328	-	6,205,679
Transfers out	(6,193,328)	-	-	(12,351)	(6,205,679)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(6,158,651)</u>	<u>8,512,351</u>	<u>6,202,900</u>	<u>141,354</u>	<u>8,697,954</u>
NET CHANGE IN FUND BALANCES	19,215	316,003	(4,996,129)	-	(4,660,911)
FUND BALANCES, BEGINNING OF YEAR	28,760,978	4,038,838	27,440,218	-	60,240,034
FUND BALANCES, END OF YEAR	<u>\$ 28,780,193</u>	<u>\$ 4,354,841</u>	<u>\$ 22,444,089</u>	<u>\$ -</u>	<u>\$ 55,579,123</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, 2017**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (4,660,911)

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	\$ 17,613,670	
Depreciation expense	<u>(12,887,606)</u>	4,726,064

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. (123,749)

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. 8,315,676

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. (980,686)

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 (125,584)

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. (263,085)

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. (255,139)

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 (10,845,642)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (4,213,056)

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, 2017**

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$188,305,087	\$188,305,087	\$190,919,322	\$ 2,614,235
State sources	39,665,177	39,665,177	41,156,644	1,491,467
Federal sources	1,483,009	1,483,009	3,290,697	1,807,688
TOTAL REVENUES	<u>229,453,273</u>	<u>229,453,273</u>	<u>235,366,663</u>	<u>5,913,390</u>
EXPENDITURES				
Current:				
Instruction				
Regular programs, elementary/secondary	94,677,455	90,552,122	89,969,747	582,375
Special programs, elementary/secondary	35,301,776	41,310,935	40,928,044	382,891
Vocational education programs	6,284,808	6,155,287	6,155,174	113
Other instructional programs	806,305	690,013	689,101	912
Nonpublic school programs	26,853	52,226	52,225	1
Total Instruction	<u>137,097,197</u>	<u>138,760,583</u>	<u>137,794,291</u>	<u>966,292</u>
Support services				
Pupil personnel	9,103,816	8,696,302	8,686,873	9,429
Instructional staff	5,677,842	5,481,939	5,481,670	269
Administration	11,437,154	11,078,849	11,040,270	38,579
Pupil health	2,177,760	2,257,070	2,256,872	198
Business	1,808,815	1,890,800	1,790,607	100,193
Operation and maintenance of plant services	18,027,336	16,357,560	15,996,618	360,942
Student transportation services	13,409,049	13,606,919	13,606,727	192
Central	3,593,682	3,635,306	3,354,191	281,115
Other support services	226,988	229,688	229,674	14
Total Support Services	<u>65,462,442</u>	<u>63,234,433</u>	<u>62,443,502</u>	<u>790,931</u>
Operation of noninstructional services				
Student activities	4,993,685	4,989,260	4,704,328	284,932
Community services	141,877	161,303	161,289	14
Total Operation of Noninstructional Services	<u>5,135,562</u>	<u>5,150,563</u>	<u>4,865,617</u>	<u>284,946</u>
Debt service				
Principal, interest, and fiscal agent fees	25,318,815	24,085,388	24,085,387	1
TOTAL EXPENDITURES	<u>233,014,016</u>	<u>231,230,967</u>	<u>229,188,797</u>	<u>2,042,170</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(3,560,743)</u>	<u>(1,777,694)</u>	<u>6,177,866</u>	<u>7,955,560</u>
OTHER FINANCING SOURCES (USES)				
Refund of prior year expenditures	-	-	34,677	34,677
Interfund transfer out	(4,410,279)	(6,193,328)	(6,193,328)	-
TOTAL OTHER FINANCING USES	<u>(4,410,279)</u>	<u>(6,193,328)</u>	<u>(6,158,651)</u>	<u>34,677</u>
NET CHANGE IN FUND BALANCE	(7,971,022)	(7,971,022)	19,215	7,990,237
FUND BALANCE, BEGINNING OF YEAR	<u>28,760,978</u>	<u>28,760,978</u>	<u>28,760,978</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 20,789,956</u>	<u>\$ 20,789,956</u>	<u>\$ 28,780,193</u>	<u>\$ 7,990,237</u>

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

**WEST CHESTER AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUND
JUNE 30, 2017**

	<u>Food Service Fund</u>
ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 17,037
Investments	955,711
Due from other governments	102,178
Due from other funds	4,933
Other receivables	119,024
Inventories, donated commodities	25,490
TOTAL CURRENT ASSETS	<u>1,224,373</u>
 CAPITAL ASSETS:	
Furniture and equipment, net	<u>590,353</u>
 TOTAL ASSETS	<u><u>\$ 1,814,726</u></u>
 LIABILITIES AND NET POSITION	
CURRENT LIABILITIES:	
Accounts payable and accrued liabilities	\$ 168,249
Unearned revenue	179,088
TOTAL LIABILITIES	<u>347,337</u>
 NET POSITION:	
Investment in capital assets	590,353
Unrestricted	877,036
TOTAL NET POSITION	<u>1,467,389</u>
 TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 1,814,726</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, 2017**

	<u>Food Service Fund</u>
OPERATING REVENUES	
Food service revenues	\$ 2,493,463
TOTAL OPERATING REVENUES	<u>2,493,463</u>
OPERATING EXPENSES	
Professional and contract services	3,211,903
Depreciation	78,862
Other operating costs	3,610
TOTAL OPERATING EXPENSES	<u>3,294,375</u>
OPERATING LOSS	<u>(800,912)</u>
NONOPERATING REVENUES	
State sources	53,373
Federal sources	762,662
Interest income	7,311
TOTAL NONOPERATING REVENUES	<u>823,346</u>
CHANGE IN NET POSITION	22,434
NET POSITION, BEGINNING OF YEAR	<u>1,444,955</u>
NET POSITION, END OF YEAR	<u><u>\$ 1,467,389</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, 2017**

	<u>Food Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 2,472,190
Payments to suppliers	<u>(3,087,161)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(614,971)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
State sources	47,365
Federal sources	<u>550,160</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>597,525</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of capital assets	<u>(266,829)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(266,829)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Sale of investment securities and deposits to investments pools	241,691
Interest income	<u>7,311</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>249,002</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(35,273)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>52,310</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 17,037</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating loss	\$ (800,912)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	78,862
Commodities usage	140,809
Changes in assets and liabilities:	
(Increase) in other receivables	(22,267)
(Increase) in due from other funds	(4,348)
Decrease in inventory, donated commodities	2,143
(Decrease) in accounts payable and accrued liabilities	(14,600)
Increase in unearned revenue	<u>5,342</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (614,971)</u>
<u>SUPPLEMENTAL DISCLOSURE</u>	
NONCASH NONCAPITAL FINANCING ACTIVITY:	
USDA donated commodities	<u>\$ 140,809</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, 2017**

	Student Activity Funds	Other Agency Fund	Total Agency Funds	Private- Purpose Trust
ASSETS				
Cash and cash equivalents	\$ 457,140	\$ 50,676	\$ 507,816	\$ 494,866
Other receivables	<u>-</u>	<u>22,246</u>	<u>22,246</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 457,140</u>	<u>\$ 72,922</u>	<u>\$ 530,062</u>	<u>\$ 494,866</u>
LIABILITIES AND NET POSITION				
LIABILITIES:				
Other current liabilities	\$ 457,140	\$ 72,922	\$ 530,062	\$ 28,305
TOTAL LIABILITIES	<u>457,140</u>	<u>72,922</u>	<u>530,062</u>	<u>28,305</u>
NET POSITION:				
Restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>466,561</u>
TOTAL NET POSITION	<u>-</u>	<u>-</u>	<u>-</u>	<u>466,561</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 457,140</u>	<u>\$ 72,922</u>	<u>\$ 530,062</u>	<u>\$ 494,866</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, 2017**

	<u>Private- Purpose Trust</u>
ADDITIONS	
Gifts and contributions	<u>\$ 716,081</u>
TOTAL ADDITIONS	<u>716,081</u>
DEDUCTIONS	
Grants	<u>660,210</u>
TOTAL DEDUCTIONS	<u>660,210</u>
CHANGE IN NET POSITION	55,871
NET POSITION, BEGINNING OF YEAR	<u>410,690</u>
NET POSITION, END OF YEAR	<u><u>\$ 466,561</u></u>

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

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

Entity-wide and Fund Financial Statements

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

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

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

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

The District reports the following major government funds:

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

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

Capital Reserve Fund – 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.

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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.

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

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

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

Additionally, the District reports the following fund types:

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

Assets, Liabilities, and Net Position or Equity

Deposits and Investments

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

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

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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

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 and external investment pools which are reported at amortized cost. In establishing the fair value of investments, the District uses the following hierarchy. The lowest 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, 2017.

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

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

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

Prepaid Items

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

Inventory

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

Capital Assets

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

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

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

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

Compensated Absences

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

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

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

Accrued Severance Pay

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

Long-term Obligations

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

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

Deferred Inflows and Outflows of Resources

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

The first deferred outflow of resources is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the 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 of resources 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 of resources 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 of resources is recorded for differences related to changes in the net pension liability which will be amortized over future periods. 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.

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

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

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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

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

Net Position

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

Use of Estimates in the Preparation of Financial Statements

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

NOTE 2 BUDGETARY INFORMATION

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

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 2 BUDGETARY INFORMATION (cont'd)

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, 2017, the carrying amount of the District's deposits was \$22,563,328, and the bank balance was \$23,123,808. 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, 2017, 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.

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 4 INVESTMENTS (cont'd)

The District also invests in the Pennsylvania Local Government Investment Trust ("PLGIT"), the Pennsylvania School District Liquid Asset Fund ("PSDLAF") and the Pennsylvania Treasurer's Investment Program for Local Governments ("PTIP"). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PLGIT, PSDLAF, and PTIP act like money market mutual funds in that their objective is to maintain a stable net asset value of \$1 per share, are rated by a nationally recognized statistical rating organization, and are subject to an independent annual audit. These external investment pools are considered 2a7-like pools and are recorded at amortized cost. The amortized cost, which approximates fair value of the pool, is determined by the pool's share price. As of June 30, 2017, PLGIT, PSDLAF, and PTIP were rated as AAAm by a nationally recognized statistical rating organization. As of June 30, 2017, the District had \$6,803,551 invested in PLGIT, PSDLAF, and PTIP (\$359,439 in the General Fund, \$5,453,237 in the Capital Projects Fund, \$35,164 in the Capital Reserve Fund, and \$955,711 in the Food Service Fund.)

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The District has the following recurring fair value measurements as of June 30, 2017:

	Fair Value	Level 1	Level 2	Maturity in Less than One Year	Maturity in Greater than One Year
General Fund					
CRIMS - Certificates of deposit	\$ 13,217,898	\$ -	\$ 13,217,898	\$ 13,217,898	\$ -
CRIMS - Money market	343,530	343,530	-	343,530	-
CRIMS - Agencies	6,510,570	-	6,510,570	6,510,570	-
CRIMS - Tax-free municipals	1,022,071	-	1,022,071	1,022,071	-
Total General Fund	<u>21,094,069</u>	<u>343,530</u>	<u>20,750,539</u>	<u>21,094,069</u>	<u>-</u>
Capital Reserve Fund					
CRIMS - Certificates of deposit	11,218,502	-	11,218,502	6,082,995	5,135,507
CRIMS - Money market	6,834,194	6,834,194	-	6,834,194	-
Total Capital Reserve Fund	<u>18,052,696</u>	<u>6,834,194</u>	<u>11,218,502</u>	<u>12,917,189</u>	<u>5,135,507</u>
TOTALS	<u>\$ 39,146,765</u>	<u>\$ 7,177,724</u>	<u>\$ 31,969,041</u>	<u>\$ 34,011,258</u>	<u>\$ 5,135,507</u>

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	\$ 2,383,401
Transfer taxes	817,285
Earned income taxes	<u>656,294</u>
Total Taxes Receivable	<u>\$ 3,856,980</u>

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 \$1,901,028 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, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
GOVERNMENTAL ACTIVITIES					
Capital assets not being depreciated:					
Land	\$ 28,289,916	\$ -	\$ -	\$ -	\$ 28,289,916
Construction-in-progress	13,850,498	16,587,492	-	(19,581,412)	10,856,578
Total Capital Assets Not Being Depreciated	42,140,414	16,587,492	-	(19,581,412)	39,146,494
Capital assets being depreciated:					
Land improvements	15,770,266	-	-	646,242	16,416,508
Buildings	398,442,243	-	-	18,935,170	417,377,413
Furniture and equipment	35,726,095	1,026,178	92,987	-	36,659,286
Total Capital Assets Being Depreciated	449,938,604	1,026,178	92,987	19,581,412	470,453,207
Accumulated depreciation for:					
Land improvements	6,637,399	736,055	-	-	7,373,454
Buildings	159,482,451	10,274,078	-	-	169,756,529
Furniture and equipment	32,419,856	1,877,473	92,987	-	34,204,342
Total Accumulated Depreciation	198,539,706	12,887,606	92,987	-	211,334,325
Total Capital Assets Being Depreciated, Net	251,398,898	(11,861,428)	-	19,581,412	259,118,882
Governmental Activities, Net	\$293,539,312	\$ 4,726,064	\$ -	\$ -	\$298,265,376
BUSINESS-TYPE ACTIVITIES					
Capital assets:					
Furniture and equipment	\$ 965,349	\$ 266,829	\$ -	\$ -	\$ 1,232,178
Total Capital Assets	965,349	266,829	-	-	1,232,178
Accumulated depreciation for:					
Furniture and equipment	562,963	78,862	-	-	641,825
Total Accumulated Depreciation	562,963	78,862	-	-	641,825
Business-type Activities Capital Assets, Net	\$ 402,386	\$ 187,967	\$ -	\$ -	\$ 590,353

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 6 CAPITAL ASSETS (cont'd)

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

Governmental Activities:

Instruction	\$ 8,018,078
Instructional student support	943,039
Administrative and financial support services	992,884
Operation and maintenance of plant services	1,873,046
Pupil transportation	781,208
Student activities	270,091
Community services	<u>9,260</u>

Total Depreciation Expense - Governmental Activities \$ 12,887,606

Business-type Activities

Food Service	<u>\$ 78,862</u>
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NOTE 7 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of and for the year ended June 30, 2017 is as follows:

<u>Receivable to</u>	<u>Payable from</u>	<u>Amount</u>
Food Service Fund	General Fund	\$ 4,933

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Capital Reserve Fund	General Fund	\$ 6,193,328
Capital Projects Fund	Other Governmental Fund	<u>12,351</u>
Total		<u>\$ 6,205,679</u>

Interfund receivables and payables as of June 30, 2017 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 and other governmental fund transfers to the capital reserve and capital projects funds for the year ended June 30, 2017 were to set aside funds for 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, 2017:

	Principal Outstanding June 30, 2016	Repayments	Additions	Principal Outstanding June 30, 2017	Due in One Year
General obligation note, Series of 2009	\$ 9,970,000	\$ 5,000	\$ -	\$ 9,965,000	\$ 5,000
General obligation bonds, Refunding Series AA of 2010	18,525,000	2,510,000	-	16,075,000	1,795,000
General obligation bonds, Refunding Series of 2011	7,905,000	7,905,000	-	-	-
General obligation bonds, Series A of 2012	21,000,000	-	-	21,000,000	-
General obligation bonds, Series AA of 2012	39,100,000	115,000	-	38,985,000	7,835,000
General obligation bonds, Series of 2013	4,050,000	765,000	-	3,285,000	795,000
General obligation bonds, Series of 2014	12,000,000	-	-	12,000,000	-
General obligation bonds, Series A of 2014	30,880,000	4,485,000	-	26,395,000	5,000
General obligation bonds, Series AA of 2014	57,280,000	270,000	-	57,010,000	270,000
General obligation bonds, Series of 2015	4,610,000	3,320,000	-	1,290,000	1,290,000
General obligation bonds, Series A of 2015	9,690,000	5,000	-	9,685,000	5,000
General obligation bonds, Series of AA of 2015	4,315,000	665,000	-	3,650,000	680,000
General obligation bonds, Series of 2016	15,200,000	1,490,000	-	13,710,000	1,725,000
General obligation bonds, Series A of 2016	32,030,000	5,000	-	32,025,000	5,000
General obligation bonds, Series AA of 2016	-	-	8,500,000	8,500,000	5,000
General obligation bonds, Series of 2017	-	-	7,495,000	7,495,000	280,000
	<u>266,615,000</u>	<u>21,540,000</u>	<u>15,995,000</u>	<u>261,070,000</u>	<u>14,695,000</u>
Deferred amounts: Issuance (discounts) premium, net	<u>23,411,054</u>	<u>2,867,759</u>	<u>97,083</u>	<u>20,640,378</u>	<u>2,820,062</u>
LONG-TERM DEBT	<u>\$290,026,054</u>	<u>\$24,407,759</u>	<u>\$16,092,083</u>	<u>\$281,710,378</u>	<u>\$17,515,062</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.	\$ 16,075,000
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.	38,985,000
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.	3,285,000
Series of 2014, original principal amount of \$12,000,000, maturing May 15, 2025 through May 15, 2032, bearing interest ranging from 3.75% to 4.25%, interest payable semi-annually on May 15 and November 15.	12,000,000
Refunding Series A of 2014, original principal amount of \$30,890,000, maturing May 15, 2016 through May 15, 2024, bearing interest ranging from 0.30% to 5.00%, interest payable semi-annually on May 15 and November 15.	26,395,000
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.	57,010,000

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 8 LONG-TERM DEBT (cont'd)

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.	1,290,000
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.	9,685,000
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.	3,650,000
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.	13,710,000
Refunding Series A of 2016, original principal amount of \$32,030,000, maturing February 15, 2017 through February 15, 2027, bearing interest ranging from 1.35% to 5.00%, interest payable semi-annually on February 15 and August 15.	32,025,000
Series AA of 2016, original principal amount of \$8,500,000, maturing May 15, 2018 through May 15, 2032, bearing interest ranging from 2% to 3%, interest payable semi-annually on May 15 and November 15.	8,500,000
Refunding Series of 2017, original principal amount of \$7,495,000, maturing December 15, 2017 through December 15, 2028, bearing interest ranging from 2% to 2.25%, interest payable semi-annually on June 15 and December 15. The refunding resulted in a cash flow savings of \$324,955 and an economic benefit of \$305,291.	<u>7,495,000</u>
TOTAL BONDS	<u>251,105,000</u>

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 8 LONG-TERM DEBT (cont'd)

General Obligation Notes

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

	<u>9,965,000</u>
TOTAL NOTES	<u>9,965,000</u>
TOTAL BONDS AND NOTES	<u>\$ 261,070,000</u>

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

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

<u>Year Ending June 30,</u>	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Total Maturities</u>
2018	\$ 14,695,000	\$ 10,258,715	\$ 24,953,715
2019	15,685,000	9,625,518	25,310,518
2020	16,280,000	8,991,035	25,271,035
2021	16,980,000	8,276,153	25,256,153
2022	17,615,000	7,588,485	25,203,485
2023-2027	97,015,000	25,623,472	122,638,472
2028-2032	<u>82,800,000</u>	<u>6,801,282</u>	<u>89,601,282</u>
	<u>\$ 261,070,000</u>	<u>\$ 77,164,660</u>	<u>\$ 338,234,660</u>

NOTE 9 CHANGES IN OTHER LONG-TERM LIABILITIES

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

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2017</u>
Accrued compensated absences	\$ 1,804,447	\$ 629,964	\$ (648,078)	\$ 1,786,333
Accrued severance	<u>2,821,992</u>	<u>348,012</u>	<u>(204,314)</u>	<u>2,965,690</u>
Subtotal	4,626,439	977,976	(852,392)	4,752,023
Other post-employment benefits	406,171	263,085	-	669,256
Net pension liability	<u>293,071,000</u>	<u>44,510,000</u>	<u>-</u>	<u>337,581,000</u>
Total	<u>\$ 298,103,610</u>	<u>\$45,751,061</u>	<u>\$ (852,392)</u>	<u>\$ 343,002,279</u>

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 10 CONTINGENT LIABILITIES

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

NOTE 11 CONSTRUCTION COMMITMENTS

As of June 30, 2017, 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, 2017</u>	<u>Commitment</u>
Renovations	<u>\$ 19,975,786</u>	<u>\$ 9,372,122</u>	<u>\$ 10,603,664</u>

In addition, the District has incurred costs totaling \$1,484,456 for project costs that were not under a formal contract as of June 30, 2017.

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, 2017 were \$196,169.

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, 2017 were \$6,916,176.

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 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, 2017, the rate of the employer contribution was 30.03 percent of covered payroll, allocated 29.20 percent to pensions and 0.83 percent to health insurance assistance. The District's contribution to PSERS for the year ended June 30, 2017 was \$27,078,772, of which \$26,330,342 was related to pension contributions and \$748,430 was related to health insurance premium assistance.

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

At June 30, 2017, the District reported a liability of \$337,581,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2015 to June 30, 2016. 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, 2016, the District's proportion was 0.6812 percent, which was an increase of 0.0046 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$37,332,494. At June 30, 2017, 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	\$ 18,815,000	\$ -
Changes in assumptions	12,186,000	
Changes in proportions	7,021,000	-
Difference between employer contributions and proportionate share of total contributions	1,471,958	-
Contributions subsequent to the date of measurement	26,330,342	-
Difference between expected and actual experience	-	<u>2,812,000</u>
	<u>\$ 65,824,300</u>	<u>\$ 2,812,000</u>

Deferred outflows of resources in the amount of \$26,330,342 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, 2017. 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>	
2018	\$ 8,417,984
2019	8,417,984
2020	12,281,759
2021	<u>7,564,231</u>
	<u>\$ 36,681,958</u>

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

Actuarial Assumptions

The total pension liability as of June 30, 2016 was determined by rolling forward the system's total pension liability as of the June 30, 2015 actuarial valuation to June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry age normal, level percentage of pay.
- Investment return – 7.25 percent, including inflation of 2.75 percent.
- Salary increases – Effective average of 5.00 percent, which reflects an allowance for inflation of 2.75 percent, and 2.25 percent for real wage growth and for merit or seniority increases.
- Mortality rates were based on the RP-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, 2015 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:

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>
Public markets global equity	22.5%	5.3%
Fixed income	28.5%	2.1%
Commodities	8.0%	2.5%
Absolute return	10.0%	3.3%
Risk parity	10.0%	3.9%
MLPs/infrastructure	5.0%	4.8%
Real estate	12.0%	4.0%
Alternative investments	15.0%	6.6%
Cash	3.0%	0.2%
Financing (LIBOR)	(14.0%)	0.5%
	<u>100.0%</u>	

The above was the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2016.

Discount Rate

The discount used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates which are actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability, calculated using the discount rate of 7.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate.

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

	1% Decrease 6.25%	Current Rate Discount Rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	\$ 412,953,000	\$ 337,581,000	\$ 274,247,000

Pension Plan Fiduciary Net Position

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

NOTE 14 OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The 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

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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, 2016, the most recent valuation, the District has no segregated assets to fund this liability. It is the intention of the District to pay the premium each year as it comes due.

Funding Progress

The schedule of funding progress of OPEB is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2016	\$ -	\$14,404,099	\$14,404,099	0.00%	\$86,476,720	16.66%
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%

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, 2016 actuarial valuation, the following actuarial assumptions were used:

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

- Interest – 4.5% compounded annually net of investment expenses
- Amortization method – Level dollar method at the valuation interest rate
- Amortization period – 12 year open period
- 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 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	\$ 634,972
Amortization of unfunded actuarial accrued liability	1,357,968
Interest on net OPEB obligation	18,278
Funding adjustment	<u>(38,292)</u>
ANNUAL OPEB COST	<u>\$ 1,972,926</u>
Net OPEB Obligation:	
Net OPEB obligation July 1, 2016	\$ 406,171
OPEB cost for year ended June 30, 2017	1,972,926
Contribution for the year ended June 30, 2017	<u>(1,709,841)</u>
NET OPEB OBLIGATION	<u>\$ 669,256</u>

The District's annual OPEB cost, contributions, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation is as follows:

Year Ended June 30	Annual OPEB Cost	Contributions	Percentage Contributed	Net OPEB Obligation
2015	\$ 1,846,104	\$ 1,788,980	96.91%	\$ 293,516
2016	\$ 1,842,853	\$ 1,730,198	93.89%	\$ 406,171
2017	\$ 1,972,926	\$ 1,709,841	86.67%	\$ 669,256

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 15 FUND BALANCES

As of June 30, 2017, 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	\$ 2,688,371	\$ -	\$ 357,900	\$ 3,046,271
Restricted:				
Capital projects	-	4,354,841	22,086,189	26,441,030
Committed:				
PSERS	1,117,000	-	-	1,117,000
Healthcare	4,159,909	-	-	4,159,909
Assigned:				
Tax stabilization	7,227,366	-	-	7,227,366
Alternative Education	500,000	-	-	500,000
Athletic activities	79,324	-	-	79,324
Unassigned	<u>13,008,223</u>	<u>-</u>	<u>-</u>	<u>13,008,223</u>
Total Fund Balances	<u>\$ 28,780,193</u>	<u>\$ 4,354,841</u>	<u>\$ 22,444,089</u>	<u>\$ 55,579,123</u>

NOTE 16 ON-BEHALF PAYMENTS FOR FRINGE BENEFITS

The District recognizes as revenue and expenses contributions made by the Commonwealth of Pennsylvania to be used for District employees' social security and pension contributions. On-behalf payments to the District totaled \$3,450,287 and \$13,580,287 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 \$246,710,005 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, the differences between projected and actual investment earnings, and the deferred outflows resulting from the change in the District's share of the net pension liability. This is offset by the District's actuarially determined pension liability and the deferred inflow resulting from the difference between actual and expected experience.

WEST CHESTER AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 18 SUBSEQUENT EVENTS

On December 5, 2017, the District issued \$9,750,000 of General Obligation Bonds, Series A of 2017 for the purpose of funding new capital projects.

The District has evaluated all subsequent events through December 6, 2017, the date the financial statements were available to be issued.

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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		
	JUNE 30, 2016	JUNE 30, 2015	JUNE 30, 2014
District's proportion of the net pension liability	0.6812%	0.6766%	0.6629%
District's proportion of the net pension liability - dollar value	\$ 337,581,000	\$ 293,071,000	\$ 262,381,000
District's covered employee payroll	\$ 88,217,090	\$ 87,061,277	\$ 83,621,635
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	382.67%	336.63%	313.77%
Plan fiduciary net position as a percentage of the total pension liability	50.14%	24.36%	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, 2017</u>	<u>JUNE 30, 2016</u>	<u>JUNE 30, 2015</u>
Contractually required contribution	\$ 26,330,342	\$ 22,053,155	\$ 17,854,136
Contributions in relation to the contractually required contribution	<u>26,330,342</u>	<u>22,053,155</u>	<u>17,854,136</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 90,172,404	\$ 88,217,090	\$ 87,061,277
Contributions as a percentage of covered-employee payroll	29.20%	25.00%	20.51%

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

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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, 2016	Additions	Deductions	Balance July 1, 2017
AGENCY FUND - FUND 40				
ASSETS				
Cash and cash equivalents	\$ 60,164	\$ 296,434	\$ 305,922	\$ 50,676
Accounts receivable	-	22,246	-	22,246
TOTAL ASSETS	<u>\$ 60,164</u>	<u>\$ 318,680</u>	<u>\$ 305,922</u>	<u>\$ 72,922</u>
LIABILITIES AND NET POSITION				
LIABILITIES:				
Other current liabilities	\$ 60,164	\$ 318,680	\$ 305,922	\$ 72,922
TOTAL LIABILITIES	<u>60,164</u>	<u>318,680</u>	<u>305,922</u>	<u>72,922</u>
NET POSITION:				
Restricted	-	-	-	-
TOTAL NET POSITION	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 60,164</u>	<u>\$ 318,680</u>	<u>\$ 305,922</u>	<u>\$ 72,922</u>
STUDENT ACTIVITY FUND - FUND 50				
ASSETS				
Cash and cash equivalents	\$ 432,065	\$ 717,269	\$ 692,194	\$ 457,140
TOTAL ASSETS	<u>\$ 432,065</u>	<u>\$ 717,269</u>	<u>\$ 692,194</u>	<u>\$ 457,140</u>
LIABILITIES AND NET POSITION				
LIABILITIES:				
Other current liabilities	\$ 432,065	\$ 717,269	\$ 692,194	\$ 457,140
TOTAL LIABILITIES	<u>432,065</u>	<u>717,269</u>	<u>692,194</u>	<u>457,140</u>
NET POSITION:				
Restricted	-	-	-	-
TOTAL NET POSITION	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 432,065</u>	<u>\$ 717,269</u>	<u>\$ 692,194</u>	<u>\$ 457,140</u>
TOTAL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 492,229	\$ 1,013,703	\$ 998,116	\$ 507,816
Accounts receivable	-	22,246	-	22,246
TOTAL ASSETS	<u>\$ 492,229</u>	<u>\$ 1,035,949</u>	<u>\$ 998,116</u>	<u>\$ 530,062</u>
LIABILITIES AND NET POSITION				
LIABILITIES:				
Other current liabilities	\$ 492,229	\$ 1,035,949	\$ 998,116	\$ 530,062
TOTAL LIABILITIES	<u>492,229</u>	<u>1,035,949</u>	<u>998,116</u>	<u>530,062</u>
NET POSITION:				
Restricted	-	-	-	-
TOTAL NET POSITION	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 492,229</u>	<u>\$ 1,035,949</u>	<u>\$ 998,116</u>	<u>\$ 530,062</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 Government'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,	2008	2009	2010	2011	2012	2013	2014	2015 *	2016 *	2017 *
Governmental Activities										
Net investment in capital assets	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	23,124,893
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	22,444,089
Unrestricted	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)	(246,710,005)
Net Position Governmental Activities	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)	(201,141,023)
Business-Type Activities										
Net investment in capital assets	61,439	129,768	82,865	184,236	171,996	169,778	224,324	297,638	402,386	590,353
Unrestricted	774,183	997,558	92,273	1,017,896	1,155,906	1,179,940	1,088,267	1,110,539	1,042,569	877,036
Net Position Business Type Activities	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	1,467,389
Total Primary Government										
Net investment in capital assets	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	23,715,246
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	22,444,089
Unrestricted	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)	(245,832,969)
Net Position Primary Government	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)	(199,673,634)

* 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,	2008	2009	2010	2011	2012	2013	2014	2015 *	2016 *	2017 *
EXPENSES										
Governmental Activities										
Instruction	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	155,262,037
Instructional Student Support	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	18,519,607
Administrative & Financial Support Services	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	19,342,370
Operation & Maintenance of Plant Services	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	18,039,504
Pupil Transportation	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	14,429,271
Student Activities	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	5,214,620
Community Services	81,960	122,164	125,654	127,041	115,730	145,929	140,742	140,742	142,350	171,227
Interest on Long-Term Debt	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	8,679,619
Unallocated Depreciation Expense	9,898,713	12,484,452	-	-	-	-	-	-	-	-
Total Governmental Activities	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	239,658,255
Business-Type Activities										
Food Service	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	3,294,375
TOTAL PRIMARY GOVERNMENT ACTIVITIES	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	242,952,630
PROGRAM REVENUE										
Governmental Activities										
Charges for Service										
Instruction	405,167	430,893	516,690	759,951	846,715	726,912	437,675	362,760	542,986	280,006
Operation & Maintenance of Plant Services	28,234	32,844	38,933	199,984	220,596	298,044	332,728	347,233	402,308	509,869
Student Activities	137,451	118,783	120,723	119,438	123,369	413,737	419,389	423,407	430,050	437,573
Operating Grants and Contributions	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	32,894,525
Total Governmental Program Revenue	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	34,121,973
Business-Type Activities										
Charges for Services	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	2,493,463
Operating Grants and Contributions	528,494	600,091	663,190	786,659	832,383	861,272	904,898	940,701	973,508	823,346
Total Business Type Program Revenues	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	3,316,809
TOTAL PRIMARY GOVERNMENT REVENUES	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	37,438,782
NET REVENUES (EXPENSES)										
Governmental Activities	(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)	(205,536,282)
Business-Type Activities	43,570	132,484	138,464	74,104	123,501	20,045	(38,454)	94,086	36,778	22,434
TOTAL PRIMARY GOVERNMENT NET REVENUES	(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)	(205,513,848)
GENERAL REVENUES										
Property Taxes, Levied for General Purpose	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	161,164,936
Taxes Levied for Specific Purpose	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	27,524,533
Grants, Entitlements, and Contributions										
Not Restricted to Specific Programs	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	11,552,814
Investment Earnings	5,201,672	2,459,306	429,007	135,772	196,339	155,424	137,174	258,288	392,047	889,980
Gain on Sale of Asset	-	-	-	-	9,929	5,300	20,608	70,058	-	9,572
Other	122,733	44,093	152,932	103,408	93,938	496,037	146,367	132,287	179,384	181,391
Total General Revenues	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	201,323,276
Change in Net Position	(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)	(4,190,622)

* 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,	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Unreserved - Designed for PSERS	-	-	1,200,000	-	-	-	-	-	-	-
Unreserved - Undesignated	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	2,688,371	-
*Restricted	-	-	-	1,892,658	1,894,735	-	-	-	-	-
*Committed	-	-	-	-	-	-	-	-	-	-
Pension	-	-	1,200,000	1,200,000	3,700,000	5,000,000	4,500,000	2,117,000	2,117,000	1,117,000
Healthcare	-	-	1,558,100	1,558,100	2,677,700	4,171,100	4,856,190	4,899,442	4,159,909	4,159,909
*Assigned	-	-	-	95,549	124,160	102,739	119,782	115,700	89,487	79,324
Gate Receipts	-	-	-	-	-	-	-	-	-	500,000
Alternative Education	-	-	-	-	-	-	-	-	-	7,227,366
Tax Stabilization	-	-	-	3,349,200	6,830,500	5,951,300	5,646,426	5,471,005	5,471,005	13,008,223
*Unassigned	-	-	15,609,035	12,354,604	12,454,515	14,441,344	14,758,221	14,856,952	14,856,952	13,008,223
Total General Fund Fund Balance	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	28,780,193
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 - Non-Major Funds	62,758	49,596	75,606	-	-	-	-	-	-	-
*Restricted - Capital Projects Fund	-	-	-	5,838,643	793,496	7,119,899	8,376,597	-	4,038,838	4,354,841
*Restricted - Capital Reserve Fund	-	-	-	14,506,078	14,329,759	15,646,701	17,672,551	22,203,300	27,440,218	22,086,189
*Nonspendable - Capital Reserve Fund	-	-	-	-	-	-	-	-	-	357,900
*Assigned - Capital Projects Fund	-	-	-	94,700	-	-	-	-	-	-
*Unassigned - Capital Projects Fund	-	-	-	-	-	-	-	(3,451,176)	-	-
Total Other Funds	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	26,798,930
TOTAL FUND BALANCE	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	55,579,123

* 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
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS (MODIFIED ACCRUAL METHOD OF ACCOUNTING)**

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Governmental Fund Revenue										
Local Source	154,427,527	156,866,132	163,508,932	165,091,475	167,600,895	171,550,034	173,123,685	176,877,190	182,144,526	191,077,358
State Source	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	41,156,644
Federal Source	2,991,122	3,130,016	4,604,950	6,866,476	4,271,701	4,048,275	2,664,783	2,959,820	2,865,335	3,290,697
Total Governmental Revenues	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	235,524,699
Governmental Expenditures										
Instruction	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	139,655,181
Support Services	56,497,225	58,954,157	58,754,657	56,682,210	54,893,514	56,041,159	57,584,176	59,939,165	61,755,726	63,322,354
Noninstructional Services	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	4,865,617
Facilities Acquisition Construction & Improvement	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	16,627,237
Debt Service Principal	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	14,160,000
Debt Service Interest	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	9,925,387
Bond Issuance Costs	-	-	-	-	-	-	-	56,166	464,253	327,788
Total Governmental Expenditures	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	248,883,564
Excess (Deficiency) of Revenues Over (Under) Expenditures	(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)	(13,358,865)
Governmental Other Financing Sources										
Proceeds from Long-Term Debt	-	10,710,364	32,691,410	35,730,000	9,585,000	68,545,000	42,890,000	65,485,000	61,900,000	15,995,000
Interfund Transfers In	5,181,698	-	1,340,022	2,676,801	1,500,000	3,806,560	4,599,268	8,645,910	9,125,784	6,205,679
Other Financing Sources (Uses)	-	-	5,057	2,966,845	76,310	8,688,471	4,519,556	5,861,632	8,300,311	97,083
Debt Service Refunded	(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)	(7,438,378)
Sale of Assets	-	-	-	-	9,929	5,300	26,540	94,983	5,077,718	9,572
Refund of Prior Year Revenues	-	-	-	-	(36,146)	-	(97,744)	(82,898)	-	-
Refund of Prior Year Expenditures	(140)	(79,218)	(4,813)	(107)	35,552	411,520	14,880	16,391	36,857	34,677
Interfund transfers Out	-	-	(1,340,022)	(2,676,801)	(1,500,000)	(3,806,560)	(4,599,268)	(8,645,910)	(9,125,784)	(6,205,679)
Total Governmental Other Financing Sources	(140)	(17,334)	10,381,654	1,366,738	186,448	21,453,433	11,909,811	305,187	15,179,184	8,697,954
NET CHANGE IN GOVERNMENTAL FUND BALANCE	(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	(4,660,911)
GOVMTL FUND BALANCE, BEGINNING 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
Prior Period Adjustment	1,008,000	-	-	-	-	-	-	-	-	-
GOVERNMENTAL FUND BALANCE, END OF YEAR	44,583,534	29,518,851	34,198,985	38,902,105	40,499,259	55,138,489	59,400,220	50,417,683	60,240,034	55,579,123
Debt Service as % of Expenditures	11.8%	11.9%	12.3%	11.3%	11.9%	10.3%	11.0%	9.5%	8.1%	9.7%

Source: District's Audited Financial Statements

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

	<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>	<u>2016-17</u>
Local	150,741.3	154,578.4	161,942.4	165,072.4	167,580.4	171,524.8	172,073.7	176,800.8	182,121.6	190,954.0
Real Estate	123,662.8	129,795.3	138,331.6	141,220.9	140,718.6	143,413.1	143,904.6	148,403.7	152,710.0	157,685.1
Current	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	156,989.6
Interim	1,674.2	1,503.6	1,331.8	1,060.4	1,070.6	1,573.2	679.5	956.0	780.9	695.5
Earned Income	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	21,336.5
Real Estate Transfer	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	6,115.0
Other Taxes PURTA	198.0	188.6	208.4	218.3	225.3	223.8	210.8	214.7	198.3	196.7
Delinquent Taxes	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	3,479.8
Investment Earnings	3,051.1	1,674.8	288.0	118.4	173.6	129.8	71.0	165.5	332.2	731.9
Gate Receipts	-	-	-	119.4	123.4	122.9	130.7	136.3	152.9	160.6
Other	447.6	544.0	633.4	1,043.0	1,166.8	1,400.2	1,205.5	1,129.4	1,401.8	1,248.3
State	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	41,156.6
Student Subsidies	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	24,125.8
Basic Instruction	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	8,012.2
Special Education	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	5,902.9
Tuition Private Home Placement	73.6	87.4	50.6	-	17.6	121.7	113.9	111.5	179.4	236.2
Transportation	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	3,674.1
Medical, Dental & Nurse	296.3	295.6	288.7	273.8	273.9	261.5	256.8	222.3	253.9	256.4
Rent	1,437.4	1,519.5	1,544.7	1,074.7	1,224.8	1,151.2	1,160.4	1,181.7	-	2,104.1
Charter Schools	1,337.4	1,641.1	1,558.4	1,478.9	-	-	-	-	-	-
Ready To Learn Block Grants / Accountability Grants	348.3	343.8	343.8	322.4	126.6	126.7	126.7	303.2	399.1	399.1
Property Tax Relief	-	3,592.8	3,734.6	3,708.3	3,604.0	3,425.3	3,405.1	3,620.3	3,355.4	3,540.6
Other	1,386.8	322.7	80.5	21.9	15.7	4.9	-	-	-	-
Teacher Subsidies	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	17,030.9
Social Security	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	3,450.6
Retirement	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	13,580.3
Federal	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	3,290.7
Title I	1,998.5	1,492.4	2,013.5	1,675.2	1,341.4	1,752.2	459.6	818.0	828.9	1,013.2
Title II	310.3	327.8	182.4	416.8	311.2	249.0	199.4	293.9	374.0	384.1
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	1,240.5	1,308.9	1,296.3	1,235.6	1,310.3	1,282.4	1,154.7	1,215.8	1,199.7	1,333.6
MA Direct Services/Time Study	562.8	760.3	722.4	768.6	773.4	659.4	722.7	516.0	305.5	467.1
Other	119.5	131.5	165.6	149.6	128.8	115.8	125.5	116.0	157.2	92.7
Local Taxes & Subsidies	182,291.3	189,075.3	196,833.8	200,193.7	200,318.0	205,104.4	206,453.4	213,970.5	220,793.4	235,401.3

Source: District Budget Control Forecast Model

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

	<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>	<u>2016-17</u>
Staff	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	145,153.0
Total Salaries	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	91,156.6
Administration										
Regular Salaries	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	8,029.5
Teachers										
Regular Salaries	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	64,701.3
Extra Duty Payments	1,197.0	1,118.7	899.6	843.2	840.2	992.6	1,007.6	1,059.6	1,161.3	950.6
Sabbatical Payments	43.9	103.9	129.9	168.7	88.4	179.1	35.2	125.0	304.5	209.9
Subject Chair Payments	412.6	437.5	429.0	420.8	389.4	348.5	346.7	365.9	365.4	363.7
Severance Payments	245.9	245.0	288.8	356.2	158.5	144.4	380.6	209.1	142.1	79.9
Supplemental Contracts	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	2,017.0
Total Teachers	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	68,322.4
Technical										
Regular Salaries	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	3,694.7
Office Clerical										
Regular Salaries	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	5,983.9
Crafts and Trades										
Regular Salaries	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	5,126.1
Benefits										
Medical	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	17,331.7
Dental	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	1,103.1
Vision	161.1	167.6	153.2	140.7	140.4	168.0	113.1	195.9	176.7	180.6
Prescription	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	4,694.0
Social Security	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	6,609.1
Retirement	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	27,068.7
Tuition Reimbursement	887.1	977.5	1,301.5	1,113.7	728.0	733.3	610.0	360.4	196.9	442.4
Life & Disability	480.6	538.9	417.1	683.0	397.0	263.1	307.0	417.8	321.1	331.1
Wrkrs Comp/Unemply/Other	728.5	911.1	708.8	649.6	720.5	654.3	800.6	823.2	1,461.8	1,307.1
Total Benefits	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	59,068.0
(Less) cost sharing	(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)	(5,071.6)
Net Benefits	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	53,996.4
Prof. & Tech. Services	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	18,965.1
Substitute Service	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	1,933.7
Contracted Therapeutic Staff	682.3	1,031.9	857.8	758.3	620.8	666.7	860.2	1,299.2	1,571.8	1,736.1
Contracted Aides- Special Ed.	473.9	326.3	442.5	358.5	679.2	831.6	1,123.4	1,138.8	1,496.2	2,213.6
Contracted Aides- Other	-	-	-	-	-	-	-	-	-	126.7
CCIU - Special Ed Programs	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	3,887.2
Occupation/Physical Therapy	966.3	984.9	925.1	919.7	975.0	1,087.4	1,004.4	982.0	1,060.0	1,156.0
Due Process Hearings	507.9	586.9	475.5	882.8	694.8	738.2	603.3	496.1	948.7	1,344.1
Early Intervention	196.2	366.4	369.0	255.0	263.1	353.7	260.5	276.5	365.8	348.7
Extended School Year	410.9	497.7	620.4	626.0	447.2	564.7	573.1	502.4	735.9	669.5
Alternative Ed - Special Ed	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	2,044.2
Alternative Education - Reg	251.3	329.9	191.3	258.9	410.1	419.4	426.5	745.9	727.5	797.2
Tax Collection	543.3	513.0	557.0	508.9	535.9	627.7	669.7	646.0	672.8	725.4
Legal	255.0	410.9	279.9	326.8	308.4	416.2	441.0	365.2	354.2	396.4
Other	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	1,586.1
Purchased Property Services	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	4,002.5
Electricity	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	1,787.6
Water/Sewer	403.5	427.2	421.2	486.6	473.7	511.6	505.4	521.0	502.9	534.1
Trash Removal	155.0	148.2	122.1	122.1	122.0	91.8	95.2	89.8	85.8	90.9
Office Rental	0.8	101.6	96.9	123.1	121.3	123.9	103.3	134.5	137.6	164.0
Other	1,275.4	1,152.8	1,127.6	930.5	943.2	905.7	965.1	1,009.0	1,099.3	1,425.8

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

	<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>	<u>2016-17</u>
(continued)										
Other Services	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	30,952.7
Charter Schools	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	9,818.8
Tuition: Special Education	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	3,530.1
Tuition: CAT	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	2,722.4
Tuition: Other	95.8	104.6	102.8	248.2	443.4	419.5	200.7	152.5	130.7	96.0
Bussing: Public Schools	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	4,898.1
Bussing: Non-Public	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	4,422.4
Bussing: Special Ed	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	3,848.1
Bussing: Extracurricular	260.1	384.9	281.4	333.5	274.3	291.1	284.6	325.5	316.3	327.4
Insurance	461.9	464.0	461.4	394.2	381.8	416.9	478.5	462.6	492.8	501.6
Telephone/Postage	527.1	643.0	375.3	448.7	497.1	462.1	390.2	501.0	489.4	492.5
Other Services - Glen Mills	640.2	614.1	1,263.0	1,026.8	714.3	866.0	-	-	-	-
Other	452.7	419.9	356.5	265.7	307.7	293.4	297.3	358.3	280.9	295.4
Supplies	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	4,797.8
Heating Fuel	1,060.1	1,788.1	1,097.4	1,123.8	780.8	695.0	978.8	876.5	620.2	605.3
Other Operations/Maint Supplies	925.6	789.5	807.8	603.2	670.3	735.4	777.4	648.7	652.5	714.6
Educational	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	1,828.6
Curriculum Proposals	1,148.5	1,373.4	850.7	622.3	455.0	793.5	885.1	1,230.0	1,123.3	881.4
Educational/Admin Software	464.8	314.6	610.2	347.1	410.3	356.9	327.0	409.9	394.3	680.8
Administration/Business	199.5	186.4	145.8	148.0	77.1	99.0	104.9	20.1	2.1	87.1
Other	14.3	18.1	28.2	23.5	19.7	-	-	-	-	-
Other Objects	351.4	262.9	258.0	226.5	344.7	(126.6)	359.6	534.1	367.2	411.3
Dues and Fees - Athletics	-	-	-	99.5	94.8	144.3	113.7	140.4	179.1	170.7
Property	2,335.8	1,133.0	972.9	1,837.1	1,117.4	1,313.7	511.4	455.8	542.9	650.3
Technology Equipment	1,290.0	282.5	-	-	-	-	-	-	-	-
G/F Maint Projects	-	148.8	389.9	687.5	531.7	650.3	-	-	-	-
Other Equipment	1,045.8	701.7	583.0	1,149.6	585.7	663.4	511.4	455.8	542.9	650.3
Debt Service	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	24,085.4
Bond payments	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	24,085.4
TOTAL EXPENSE	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	229,188.8

Source: District Budget Control Forecast Model

WEST CHESTER AREA SCHOOL DISTRICT

REVENUE CAPACITY



WEST CHESTER AREA SCHOOL DISTRICT
GOVERNMENTAL FUNDS - MOST SIGNIFICANT OWN-SOURCE REVENUES
(MODIFIED ACCRUAL METHOD OF ACCOUNTING)

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
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	19.5779	151,929,043	780,930	3,000,329	24,325,967	2,048,424	182,084,693
2016-17	20.0982	156,989,628	695,464	3,479,843	27,451,544	2,302,843	190,919,322

* 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**

LAND USE DESCRIPTION	2007-08 #	2008-09 #	2009-10 #	2010-11 #	2011-12 #	Assessment	2012-13 #	2013-14 #	2014-15 #	2015-16 #	2016-17 #	Assessment	2017-18 #	Assessment
	of Parcels	of Parcels	of Parcels	of Parcels	of Parcels	Total	of Parcels	of Parcels	of Parcels	of Parcels	of Parcels	Total	of Parcels	Total
CHESTER COUNTY														
Not Identified	188	10,326,250	21	3,045,790	-	47,820	-	-	-	1	-	-	-	-
Commercial Properties	1,572	1,348,537,398	1,593	1,389,076,248	1,632	1,408,305,033	1,652	1,408,305,033	1,652	1,382,775,453	1,659	1,365,477,339	1,659	1,365,477,339
Farm Properties	73	23,627,660	73	23,523,120	72	23,568,250	72	23,568,250	72	23,464,210	70	22,838,800	70	22,838,800
Industrial Properties	88	149,886,680	89	150,726,520	90	151,028,920	90	151,028,920	90	151,052,080	89	150,689,470	89	150,689,470
Residential Properties	29,611	5,928,690,156	29,676	5,965,419,357	29,778	6,013,563,931	29,838	6,012,588,031	29,838	6,012,588,031	29,917	6,015,067,375	29,917	6,015,067,375
Vacant Land	981	69,079,400	1,088	68,860,100	1,046	64,943,920	1,061	64,943,920	1,061	59,182,350	1,044	69,623,000	1,044	69,623,000
TOTAL CHESTER COUNTY	32,513	7,530,147,544	32,540	7,600,651,135	32,618	7,661,410,054	32,714	7,661,410,054	32,714	7,629,109,944	32,779	7,623,695,984	32,779	7,623,695,984
DELAWARE COUNTY														
Commercial/Industrial	7	3,886,900	14	8,533,463	15	8,904,953	12	8,904,953	12	6,868,373	14	8,533,463	14	8,533,463
Residential/Farms/Vacant Land	2,067	623,278,141	2,179	633,531,318	2,187	637,527,895	2,190	637,527,895	2,190	630,726,093	2,190	628,332,131	2,190	628,332,131
TOTAL DELAWARE COUNTY	2,074	627,165,041	2,193	642,064,781	2,202	646,432,848	2,202	646,432,848	2,202	637,594,466	2,204	636,865,594	2,204	636,865,594
GRAND TOTAL	34,587	8,157,312,585	34,733	8,242,715,916	34,820	8,307,842,902	34,916	8,307,842,902	34,916	8,266,704,410	34,983	8,260,561,578	34,983	8,260,561,578
CHESTER COUNTY														
Not Identified	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Commercial Properties	1,677	1,391,810,649	1,714	1,369,224,799	1,712	1,365,713,429	1,709	1,365,713,429	1,709	1,367,742,137	1,714	1,382,831,647	1,714	1,382,831,647
Farm Properties	70	22,769,440	68	22,066,740	68	22,066,740	69	22,066,740	69	22,703,280	69	22,730,390	69	22,730,390
Industrial Properties	89	148,943,570	88	146,750,180	88	145,936,270	87	145,936,270	87	145,405,235	87	145,188,555	87	145,188,555
Residential Properties	30,033	6,012,449,332	30,145	6,044,809,459	30,250	6,063,262,560	30,365	6,063,262,560	30,365	6,115,048,985	30,410	6,132,798,573	30,410	6,132,798,573
Vacant Land	1,308	55,913,330	1,162	50,755,900	1,163	49,319,210	1,090	49,319,210	1,090	47,541,320	1,068	45,006,370	1,068	45,006,370
TOTAL CHESTER COUNTY	33,177	7,631,886,321	33,177	7,633,607,078	33,281	7,646,298,209	33,320	7,646,298,209	33,320	7,698,440,957	33,348	7,728,555,535	33,348	7,728,555,535
DELAWARE COUNTY														
Commercial/Industrial	14	8,533,463	14	8,533,463	14	8,533,463	14	8,533,463	14	8,533,463	14	8,533,463	14	8,533,463
Residential/Farms/Vacant Land	2,189	629,392,646	2,193	629,105,934	2,192	633,891,761	2,194	633,891,761	2,194	638,801,396	2,199	638,865,520	2,199	638,865,520
TOTAL DELAWARE COUNTY	2,203	637,926,109	2,207	637,639,397	2,206	642,425,224	2,208	642,425,224	2,208	647,334,859	2,213	647,398,983	2,213	647,398,983
GRAND TOTAL	35,380	8,269,812,430	35,384	8,271,246,475	35,487	8,288,723,433	35,528	8,288,723,433	35,528	8,345,775,816	35,561	8,375,954,518	35,561	8,375,954,518

Source: County Land Use Code Report

**WEST CHESTER AREA SCHOOL DISTRICT
MARKET VALUE VERSUS ASSED 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
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%
2015	12,149,938	741,885	12,891,823	8,375,955	154%

Source: State Tax Equalization Board

WEST CHESTER AREA SCHOOL DISTRICT
PROPERTY TAX RATES - ALL DIRECT AND OVERLAPPING GOVERNMENTS
(Mills)

Chester County

Fiscal Year	West Chester Area School District		Chester County	Township of East Bradford		Township of East Goshen	Township of Thornbury	Township of West		Township of Westtown	Borough of West Chester
	Area School District	District		East Bradford	East Goshen			Whiteland	West Goshen		
2007-08	15.79		3.80	0.07	1.25	0.84	1.50	0.60	2.00	5.60	
2008-09	16.85		3.97	0.07	1.25	0.84	1.50	0.60	2.00	5.60	
2009-10	17.85		3.97	0.07	1.25	0.84	2.00	0.60	2.00	5.80	
2010-11	18.36		3.97	0.07	1.25	0.84	2.00	0.60	2.50	6.96	
2011-12	18.36		3.97	0.34	1.25	0.84	2.00	0.60	2.50	6.96	
2012-13	18.67		4.16	0.34	1.25	0.84	2.00	0.72	3.50	6.96	
2013-14	18.67		4.16	0.34	1.25	1.00	2.00	0.72	3.50	6.96	
2014-15	19.21		4.16	0.34	1.25	1.00	2.00	0.72	3.50	6.96	
2015-16	19.5779		4.16	1.00	1.25	1.00	2.00	0.72	3.50	6.96	
2016-17	20.0982		4.16	1.00	1.25	1.00	2.00	0.72	3.50	6.96	

Source: Chester County website

Delaware County

Fiscal Year	West Chester Area School District		Delaware County	Township of Thornbury	
	Area School District	District		Delaware County	Thornbury
2007-08	11.87		4.45	0.00	0.00
2008-09	12.94		4.83	0.00	0.00
2009-10	14.16		4.83	0.00	0.00
2010-11	14.25		5.18	0.00	0.00
2011-12	14.22		5.18	0.00	0.00
2012-13	13.78		5.30	0.00	0.00
2013-14	13.62		5.45	0.00	0.00
2014-15	13.65		5.60	0.00	0.00
2015-16	13.9059		5.60	0.00	0.00
2016-17	14.7113		5.60	0.00	0.00

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**

Name	Township	Type of Property	2016-17				2007-08			
			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	103,636,420	1.27%	1		
ARHC WCCCHPA01 LLC	East Goshen	Senior Living/ Assisted Living	41,434,200	0.49%	2					
QVC	West Goshen	Indust. Bldg/ TV Shopping	35,696,530	0.43%	3	48,371,130	0.59%	2		
Main Street At Exton	West Whiteland	Shopping Center	33,282,510	0.40%	4	31,509,660	0.39%	3		
TRC Valley Creek Assoc.	West Whiteland	Business Complex	28,500,000	0.34%	5	18,722,190	0.23%	7		
HCRI PA Properties Holding Co.	East Goshen	Senior Living Community	22,849,280	0.27%	6					
Exton Crossing Apartment	West Whiteland	Apartment Complex	21,023,480	0.25%	7	21,023,480	0.26%	5		
Whiteland Investors LP	West Whiteland	Apartment Complex	19,320,000	0.23%	8	19,320,000	0.24%	6		
Hankin Family LTD Prtsp	East Goshen	Apartment Complex	17,331,650	0.21%	9	16,180,450	0.20%	10		
Westtown Apartments	Westtown	Apartment Complex	16,636,690	0.20%	10	16,636,690	0.20%	8		
Exton Whiteland Dev. Co.	West Whiteland	Shopping Center				21,460,000	0.26%	4		
Hankin Group	West Whiteland	Apartment Complex				16,453,180	0.20%	9		
Total Assessed Value-- Ten Largest Taxpayers			314,757,540			313,313,200				
Total District Assessed Value			8,375,954,518			8,157,312,585				

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
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	145,191,207	96.5%
2013-14	8,271,246,475	18.67	151,204,093	146,630,222	97.0%
2014-15	8,288,723,433	19.21	155,654,493	151,068,019	97.1%
2015-16	8,345,775,816	19.5779	159,721,081	155,284,474	97.2%
2016-17	8,375,954,518	20.0982	164,854,136	160,530,248	97.4%

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.

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WEST CHESTER AREA SCHOOL DISTRICT

DEBT CAPACITY



**WEST CHESTER AREA SCHOOL DISTRICT
COMPUTATION OF NONELECTORAL DEBT MARGIN**

	<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>	<u>2016-17</u>
Total General Fund Revenues*	184,383,429	189,079,944	196,838,806	200,193,855	200,328,038	205,516,382	206,453,328	213,970,535	220,793,385	235,401,340
Less Required Deductions if included in total										
Rental and Sinking Fund Reimbursement	1,437,374	1,519,538	1,558,427	1,074,696	1,224,820	1,151,153	1,160,377	1,181,706	-	2,104,117
Sale of Property and Non-recurring revenue	-	10,364	5,057	-	-	973	-	-	-	-
Fund Transfer	2,086,849	-	-	-	-	-	-	-	-	-
Net Revenues	180,859,206	187,550,042	195,275,323	199,119,159	199,103,218	204,364,256	205,292,951	212,788,829	220,793,385	233,297,223
Annual Arithmetic Average (Borrowing Base)**	172,620,870	180,754,642	187,894,857	193,981,508	197,832,567	200,862,211	202,920,142	207,482,012	212,958,388	222,293,146
Multiplier	225%	225%	225%	225%	225%	225%	225%	225%	225%	225%
Total Nonelectoral Debt Limit	388,396,958	406,697,945	422,763,428	436,458,393	445,123,276	451,939,975	456,570,320	466,834,527	479,156,373	500,159,579
Less Amount Debt Applicable to Debt Limit	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	261,070,000
Total Debt Margin	72,840,958	102,167,945	120,230,428	144,919,393	165,493,276	164,496,975	171,554,320	195,008,527	212,541,373	239,089,579
Ratio of Debt Limit to Debt Margin	19%	25%	28%	33%	37%	36%	38%	42%	44%	48%

Source: District Annual Financial Statements PDE 2057

* Includes other financing sources

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

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

Fiscal Year	Emmaus Note 2009	Series AA of 2010		Series A of 2012		Series AA of 2012		Series 2013		Series 2014		Series A 2014		Series AA 2014		Series A 2015		Series AA 2015		Series 2016		Series A 2016		Series AA 2016		Series 2017		Total
		GOR	GOB	GOR	GOB	GOR	GOB	GOR	GOB	GOR	GOB	GOR	GOB	GOR	GOB	GOR	GOB	GOR	GOB	GOR	GOB	GOR	GOB	GOR	GOB	GOR	GOB	
2017- 2018	5,000	1,795,000	-	7,835,000	-	795,000	-	5,000	270,000	1,290,000	5,000	680,000	1,725,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	1,725,000	5,000	5,000	5,000	5,000	5,000	280,000	14,695,000
2018- 2019	5,000	3,160,000	-	8,295,000	-	815,000	-	5,000	280,000	-	5,000	710,000	1,810,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	1,810,000	5,000	5,000	5,000	5,000	5,000	590,000	15,685,000
2019- 2020	5,000	3,290,000	-	7,875,000	-	825,000	-	800,000	290,000	-	5,000	735,000	1,840,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	1,840,000	5,000	5,000	5,000	5,000	5,000	605,000	16,280,000
2020- 2021	650,000	3,420,000	-	7,360,000	-	850,000	-	1,085,000	295,000	-	5,000	755,000	1,935,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	1,935,000	5,000	5,000	5,000	5,000	5,000	615,000	16,980,000
2021- 2022	650,000	4,410,000	-	7,620,000	-	-	-	1,185,000	305,000	-	5,000	770,000	2,035,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	2,035,000	5,000	5,000	5,000	5,000	5,000	625,000	17,615,000
2022- 2027	3,025,000	-	25,000	-	15,000	-	23,315,000	30,870,000	-	-	25,000	-	4,365,000	32,000,000	25,000	-	-	-	-	-	4,365,000	32,000,000	25,000	3,350,000	8,450,000	1,430,000	82,800,000	
2027- 2032	5,625,000	-	20,975,000	-	11,985,000	-	24,700,000	9,635,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Principal	9,965,000	16,075,000	21,000,000	38,985,000	3,285,000	12,000,000	26,395,000	57,010,000	1,290,000	1,290,000	9,685,000	3,650,000	13,710,000	32,025,000	8,500,000	7,495,000	7,495,000	7,495,000	7,495,000	7,495,000	13,710,000	32,025,000	8,500,000	8,500,000	8,500,000	8,500,000	7,495,000	261,070,000
Premium	-	1,088,052	-	4,707,781	164,182	-	2,797,588	4,710,142	40,762	7,893	177,960	2,137,181	5,004,124	-	-	-	-	-	-	-	-	-	-	-	-	-	-	20,932,074
(Discount)	-	-	(180,403)	-	(111,293)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(291,696)
Total	9,965,000	17,163,052	20,819,597	43,692,781	3,449,182	11,888,707	29,192,588	61,720,142	1,330,762	1,330,762	9,692,893	3,827,960	15,847,181	37,029,124	8,500,000	7,591,409	7,591,409	7,591,409	7,591,409	7,591,409	15,847,181	37,029,124	8,500,000	8,500,000	8,500,000	8,500,000	7,591,409	281,710,378

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	261,070,000	100%	261,070,000
Overlapping Debt			
Township of East Bradford	10,291,078	100%	10,291,078 ^{(1), (2)}
Township of East Goshen	784,000	100%	784,000 ^{(1), (2)}
Township of Thornbury	-	100%	- ^{(1), (2)}
Township of West Goshen	5,849,000	100%	5,849,000 ^{(1), (2)}
Township of West Whiteland	11,695,000	100%	11,695,000 ^{(1), (2)}
Township of Westtown	22,055,000	100%	22,055,000 ^{(1), (2)}
Borough of West Chester	-	100%	- ^{(1), (3)}
Chester County	610,113,752	20%	122,800,303 ^{(1), (2), (4)}
Total Direct and Overlapping Chester County Debt			434,544,381
Delaware County			
Direct Debt			
West Chester Area School District	261,070,000	100%	261,070,000
Overlapping Debt			
Township of Thornbury	171,003	100%	171,003 ^{(1), (5)}
Delaware County	273,817,760	1%	3,932,543 ^{(1), (4), (5)}
Total Direct and Overlapping Delaware County Debt			265,173,546

⁽¹⁾ As of December 31, 2016

⁽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

Fiscal Year	Assessed Value (1)		Gross Bonded Debt (5)		Debt Service Monies Available		Net Bonded Debt		Ratio of Net Bonded Debt to Assessed		Population		Net Bonded Debt per Capita		Estimated Personal Income (4)		Percentage of Personal Income	
	Value (1)	Value (1)	Debt (5)	Debt (5)	Monies Available	Net Bonded Debt	Net Bonded Debt	Bonded Debt to Assessed	Bonded Debt to Assessed	Population	Population	Debt per Capita	Debt per Capita	Estimated Personal Income (4)	Estimated Personal Income (4)	Percentage of Personal Income	Percentage of Personal Income	
2007-08	8,157,312,585	8,157,312,585	307,140,000	307,140,000	-	307,140,000	307,140,000	3.8%	3.8%	101,207 (3)	101,207 (3)	3,035	3,035	6,608,311,065	6,608,311,065	4.6%	4.6%	
2008-09	8,242,715,916	8,242,715,916	296,990,000	296,990,000	-	296,990,000	296,990,000	3.6%	3.6%	101,207 (3)	101,207 (3)	2,934	2,934	6,608,311,065	6,608,311,065	4.5%	4.5%	
2009-10	8,307,842,902	8,307,842,902	285,915,000	285,915,000	-	285,915,000	285,915,000	3.4%	3.4%	108,441 (2)	108,441 (2)	2,637	2,637	7,080,655,095	7,080,655,095	4.0%	4.0%	
2010-11	8,266,704,410	8,266,704,410	275,895,000	275,895,000	-	275,895,000	275,895,000	3.3%	3.3%	108,441 (2)	108,441 (2)	2,544	2,544	7,080,655,095	7,080,655,095	3.9%	3.9%	
2011-12	8,260,561,578	8,260,561,578	265,010,000	265,010,000	-	265,010,000	265,010,000	3.2%	3.2%	108,441 (2)	108,441 (2)	2,444	2,444	7,080,655,095	7,080,655,095	3.7%	3.7%	
2012-13	8,269,812,430	8,269,812,430	273,900,000	273,900,000	-	273,900,000	273,900,000	3.3%	3.3%	108,441 (2)	108,441 (2)	2,526	2,526	7,080,655,095	7,080,655,095	3.9%	3.9%	
2013-14	8,271,246,475	8,271,246,475	272,605,000	272,605,000	-	272,605,000	272,605,000	3.3%	3.3%	108,441 (2)	108,441 (2)	2,514	2,514	7,080,655,095	7,080,655,095	3.8%	3.8%	
2014-15	8,288,723,433	8,288,723,433	260,605,000	260,605,000	-	260,605,000	260,605,000	3.1%	3.1%	108,441 (2)	108,441 (2)	2,403	2,403	7,080,655,095	7,080,655,095	3.7%	3.7%	
2015-16	8,345,775,816	8,345,775,816	256,645,000	256,645,000	-	256,645,000	256,645,000	3.1%	3.1%	108,441 (2)	108,441 (2)	2,367	2,367	7,080,655,095	7,080,655,095	3.6%	3.6%	
2016-17	8,375,954,518	8,375,954,518	271,745,378	271,745,378	-	271,745,378	271,745,378	3.2%	3.2%	108,441 (2)	108,441 (2)	2,506	2,506	7,080,655,095	7,080,655,095	3.8%	3.8%	

(1) Source: District Fact Book

(2) Source: 2010 Census

(3) Source: 2000 Census

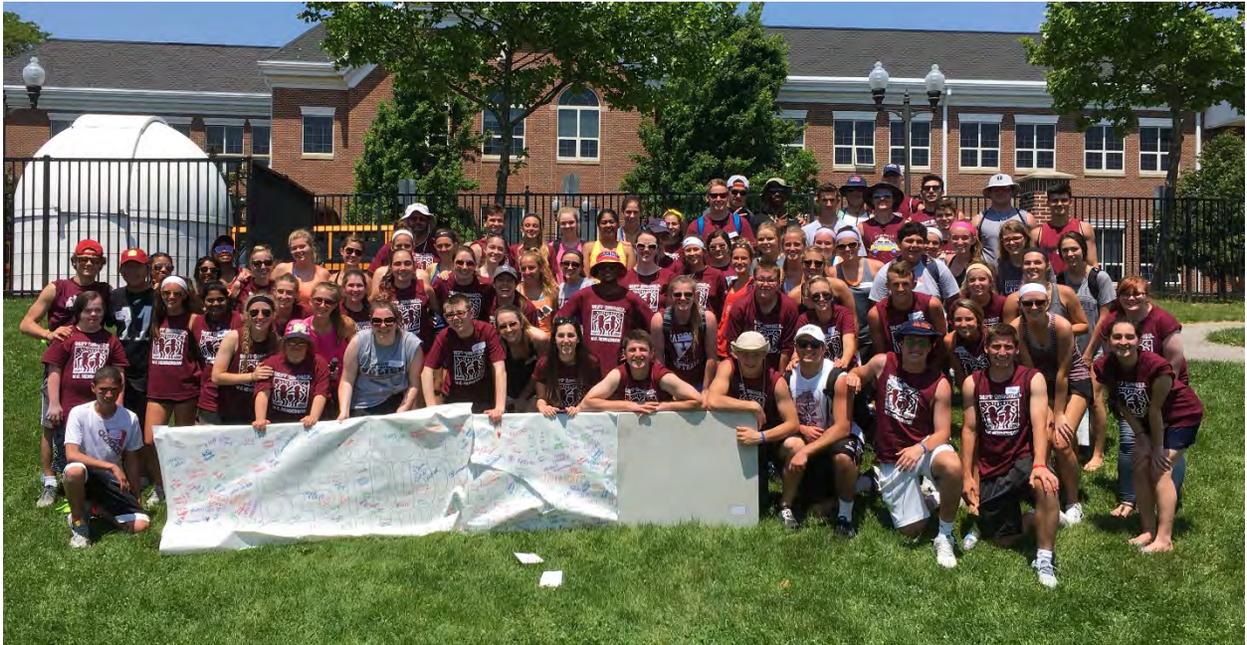
(4) Uses 1999 Household Median Income from Chester County Planning Commission

(5) Source: District Audit Report. Amount includes discounts and premiums starting in 2016-2017.

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WEST CHESTER AREA SCHOOL DISTRICT

DEMOGRAPHIC AND ECONOMIC INFORMATION



**WEST CHESTER AREA SCHOOL DISTRICT
TRENDS IN POPULATION, MARKET VALUE AND PERSONAL INCOME**

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

* 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)
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	\$4,980,850,893	\$801,633,782,130	\$328,242,656,054
2015	\$12,891,822,543	\$5,035,785,968	\$810,805,701,762	\$342,030,707,410
2016	\$13,370,341,641	Not Available	\$839,594,528,100	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 INDICIES**

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**

Name	Product or Service	2016-17			2007-08		
		Approximate Employment	Rank	% of Total	Approximate Employment	Rank	% of Total
QVC Network, Inc.	Home Shopping Network	3,682	1	7.2%	2,722	1	5.3%
Chester County	County Government	2,620	2	5.1%	1,807	4	3.5%
United Parcel Service, Inc.	Delivery Services	2,593	3	5.1%	1,040	7	2.0%
Chester County Hospital	Health Care Services	2,111	4	4.1%	2,285	3	4.5%
Therakos	Health Care Products	1,690	5	3.3%			
West Chester Area School District	Education	1,489	6	2.9%	1,516	5	3.0%
West Chester University	Education	1,457	7	2.8%	2,623	2	5.1%
Synthes Spine Co. LP	Medical Technology	1332	8	2.6%			
A. Duie Pyle	Trucking	874	9	1.7%			
Communications Test Design	Communications Hardware	844	10	1.7%	731	10	1.4%
Johnson & Johnson Services Inc.	Drug Research & Testing				1,321	6	2.6%
Comcast Cable Communications	Telecommunication				959	8	1.9%
Giant Food Stores LLC	Grocery				925	9	1.8%
Total		18,692			15,929		

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
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	11,687	12.0
2013-14	971.80	11,666	12.0
2014-15	971.60	11,624	12.0
2015-16	971.30	11,483	11.8
2016-17	973.30	11,589	11.9

* 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 2016 Enrollment
B. Rustin High School	2003-06	-	9-12	123.20	283,000	1,286
East High School	1973	1976/92/93/04	9-12	62.60	314,453	1,245
East/Fugett Athletic Fields	2004	-	-	43.35	-	----
Henderson High School	1951	1956/64/76/94/98/04	9-12	30.56	287,351	1,222
Henderson-North Campus Athletics	2006	-	-	28.40	-	----
E. N. Peirce Middle School	1963	1998/01/03	6-8	26.70	136,250	953
G. A. Stetson Middle School	1959	1961/98/03/07	6-8	38.40	134,857	973
J. R. Fugett Middle School	1969	2009	6-8	*	163,340	883
East Bradford Elementary	1958	1966/70/89/13	K-5	18.20	58,367	440
East Goshen Elementary	1955	1960/64/67/95/01	K-5	20.80	67,832	405
Exton Elementary	1940	1953/57/91/92/93/00	K-5	13.10	66,265	476
Fern Hill Elementary	1955	1960/89/16	K-5	20.00	64,555	532
Glen Acres Elementary	1966	1997	K-5	11.70	59,931	555
Hillsdale Elementary	1976	2007	K-5	19.10	70,631	562
Mary C. Howse Elementary	1962	1965/97	K-5	15.24	65,287	524
Penn Wood Elementary	1966	1970/89/01/12	K-5	18.60	64,350	510
Sarah W. Starkweather Elementary	1991	1998	K-5	37.90	75,094	583
Westtown-Thornbury Elementary	1954	1956/89/12	K-5	11.70	55,556	440
Facilities & Operations Center	1999	-	-	3.20	24,588	----
Spellman Education Center	1988	2017	Admin	3.32	42,000	----
Spellman Administration	1924	1952/55/77/99	Admin	17.60	42,845	----
				563.67	2,076,552	11,589

* Fugett acreage included in East HS site area

WEST CHESTER AREA SCHOOL DISTRICT
SCHOOL DISTRICT EMPLOYEES BY FUNCTION
For the 2016-17 Fiscal Year

Functions	Elementary	Middle	High	Other	Total
1100 Regular	311.90	165.60	221.70	20.50	719.70
1200 Special	46.00	27.20	35.20	145.60	254.00
1300 Vocational	-	14.00	14.50	-	28.50
2100 Support Services- Students	19.60	15.00	33.00	12.00	79.60
2200 Support Services- Instructional	15.00	6.00	7.00	12.45	40.45
2300 Support Services- Administration	25.00	15.00	21.00	8.00	69.00
2400 Support Services- Pupil Health	9.40	4.00	6.00	6.60	26.00
2500 Support Services- Business Office	-	-	-	14.00	14.00
2600 Operating & Maintenance of Plant Services	34.00	18.00	31.00	44.40	127.40
2700 Student Transportation Services	-	-	-	3.50	3.50
2800 Support Services- Central	-	-	-	25.05	25.05
3000 Operation of Non-Instructional Services	-	-	9.00	-	9.00
Total 2016-17 FTEs	460.90	264.80	378.40	292.10	1,396.20

Source: District Personnel Budget Documentation

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

School Year:	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Kindergarten	578	628	660	611	630	616	557	584	525	599
(half-time)	584	620	658	609	646	609	539	604	532	617
**Kindergarten (full-time)	77	75	74	74	76	76	90	79	90	73
	69	77	74	74	72	76	107	51	86	63
Grades 1-5	4,316	4,258	4,290	4,351	4,379	4,377	4,431	4,363	4,328	4,355
End of Year	4,295	4,230	4,277	4,351	4,385	4,327	4,434	4,339	4,324	4,376
Grades 6-8	2,821	2,803	2,801	2,819	2,790	2,763	2,687	2,790	2,782	2,809
End of Year	2,782	2,762	2,800	2,812	2,777	2,728	2,670	2,767	2,780	2,825
Grades 9-12	3,875	3,920	3,985	3,970	3,947	3,855	3,901	3,808	3,758	3,753
End of Year	3,795	3,845	3,908	3,894	3,896	3,815	3,853	3,764	3,753	3,740
TOTAL-Sept.30	11,667	11,684	11,810	11,825	11,822	11,687	11,666	11,624	11,483	11,589
TOTAL-End of Year	11,525	11,534	11,717	11,740	11,776	11,555	11,603	11,525	11,475	11,621
Increase/Decrease at September 30	(122)	17	126	15	(3)	(135)	(21)	(42)	(141)	106

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

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

2007-08 2008-09 2009-10 2010-11 2011-12 2012-13 2013-14 2014-15 2015-16 2016-17

Total Out-of-District	4,940	4,943	4,763	4,358	4,334	4,322	4,073	4,034	4,164	3,980
% of Total	29.7%	29.7%	28.7%	26.9%	26.8%	27.0%	25.9%	25.8%	26.6%	25.6%
Total In-District	11,667	11,684	11,810	11,825	11,822	11,687	11,666	11,624	11,483	11,589
% of Total	70.3%	70.3%	71.3%	73.1%	73.2%	73.0%	74.1%	74.2%	73.4%	74.4%
Total Students	16,607	16,627	16,573	16,183	16,156	16,009	15,739	15,658	15,647	15,569
Share Change Year-to-Year	0.29%	0.03%	1.41%	2.54%	0.14%	-0.23%	1.53%	0.16%	-1.14%	1.43%

WCASD	11,667	11,684	11,810	11,825	11,822	11,687	11,666	11,624	11,483	11,589
Elementary	4,971	4,961	5,024	5,036	5,085	5,069	5,078	5,026	4,943	5,027
% of Total Elementary	57.6%	57.6%	59.1%	60.8%	61.1%	61.2%	62.8%	62.6%	61.4%	63.3%
Secondary	6,696	6,723	6,786	6,789	6,737	6,618	6,588	6,598	6,540	6,562
% of Total Secondary	83.9%	83.9%	84.0%	86.0%	86.0%	85.7%	86.1%	86.5%	86.0%	86.1%

Out-Of-District	4,940	4,943	4,763	4,358	4,334	4,322	4,073	4,034	4,164	3,980
Elementary	3,657	3,654	3,473	3,253	3,233	3,216	3,005	3,007	3,103	2,920
Private	160	185	196	171	185	188	181	227	229	197
% of Total	1.0%	1.1%	1.2%	1.1%	1.1%	1.2%	1.2%	1.4%	1.5%	1.3%
Religious - Catholic	2,321	2,241	2,125	1,973	1,850	1,805	1,682	1,618	1,615	1,476
% of Total	14.0%	13.5%	12.8%	12.2%	11.5%	11.3%	10.7%	10.3%	10.3%	9.5%
Religious - Other	446	448	394	325	375	336	248	270	329	331
% of Total	2.7%	2.7%	2.4%	2.0%	2.3%	2.1%	1.6%	1.7%	2.1%	2.1%
Charter	496	538	536	570	610	656	670	706	717	676
% of Total	3.0%	3.2%	3.2%	3.5%	3.8%	4.1%	4.3%	4.5%	4.6%	4.3%
Special Education	58	54	56	47	43	48	54	36	50	67
% of Total	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.2%	0.3%	0.4%
Alternative	-	-	1	2	5	7	2	-	-	-
% of Total	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Home School	176	188	165	165	165	176	168	150	163	173
% of Total	1.1%	1.1%	1.0%	1.0%	1.0%	1.1%	1.1%	1.0%	1.0%	1.1%
Secondary	1,283	1,289	1,290	1,105	1,101	1,106	1,068	1,027	1,061	1,060
Private	58	54	49	33	39	46	35	40	38	36
% of Total	0.3%	0.3%	0.3%	0.2%	0.2%	0.3%	0.2%	0.3%	0.2%	0.2%
Religious - Catholic	970	947	939	814	803	819	762	725	812	784
% of Total	5.8%	5.7%	5.7%	5.0%	5.0%	5.1%	4.8%	4.6%	5.2%	5.0%
Religious - Other	139	148	142	140	123	98	84	93	82	75
% of Total	0.8%	0.9%	0.9%	0.9%	0.8%	0.6%	0.5%	0.6%	0.5%	0.5%
CCIU	68	78	97	77	97	84	125	106	94	107
% of Total	0.4%	0.5%	0.6%	0.5%	0.6%	0.5%	0.8%	0.7%	0.6%	0.7%
Alternative	48	62	63	41	39	59	62	63	35	58
% of Total	0.3%	0.4%	0.4%	0.3%	0.2%	0.4%	0.4%	0.4%	0.2%	0.4%

TOTAL NO. STUDENTS	16,607	16,627	16,573	16,183	16,156	16,009	15,739	15,658	15,647	15,569
Elementary	8,628	8,615	8,497	8,289	8,318	8,285	8,083	8,033	8,046	7,947
Secondary	7,979	8,012	8,076	7,894	7,838	7,724	7,656	7,625	7,601	7,622

TOTAL NO OF BIRTHS (AGE 5)	1,236	1,191	1,248	1,234	1,150	1,155	1,123	1,177	1,035	1,049
TOTAL NO. STUDENTS	16,607	16,627	16,573	16,183	16,156	16,009	15,739	15,658	15,647	15,569
Elementary	8,628	8,615	8,497	8,289	8,318	8,285	8,083	8,033	8,046	7,947
Secondary	7,979	8,012	8,076	7,894	7,838	7,724	7,656	7,625	7,601	7,622

Facility Breakdown										
% Public	70.3%	70.3%	71.3%	73.1%	73.2%	73.0%	74.1%	74.2%	73.4%	74.4%
Schools Facilities Not WCASD										
% Private	1.3%	1.4%	1.5%	1.3%	1.4%	1.5%	1.4%	1.7%	1.7%	1.5%
% Religious	23.3%	22.8%	21.7%	20.1%	19.5%	19.1%	17.6%	17.3%	18.1%	17.1%
% Charter	3.0%	3.2%	3.2%	3.5%	3.8%	4.1%	4.3%	4.5%	4.6%	4.3%
% Special Education	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.2%	0.3%	0.4%
% CCIU	0.4%	0.5%	0.6%	0.5%	0.6%	0.5%	0.8%	0.7%	0.6%	0.7%
% Alternative	0.3%	0.4%	0.4%	0.3%	0.3%	0.4%	0.4%	0.4%	0.2%	0.4%
% Home School	1.1%	1.1%	1.0%	1.0%	1.0%	1.1%	1.1%	1.0%	1.0%	1.1%
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

December 6, 2017

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the West Chester Area School District ("the District") as of and for the year ended June 30, 2017, 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, 2017.

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 CONTRC
OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE

December 6, 2017

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

Report on Compliance for the Major Federal Program

We have audited the West Chester Area School District's ("the District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2017. 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, 2017.

Report on Internal Control Over Compliance

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

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

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

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


BARBACANE, THORNTON & COMPANY LLP

WEST CHESTER AREA SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

PART A - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major 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

84.027 and 84.173

Special Education Cluster (IDEA)

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, 2017**

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 07/01/16	Revenue Recognized	Expenditures	Accrued (Unearned) Revenue 06/30/17	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	013-170470	07/01/16-09/30/17	\$ 967,673	\$ 905,342	\$ -	\$ 964,538	\$ 964,538	\$ 59,196	-
Title I Grants to Local Education Agencies	I	84.010	013-160470	07/01/15-09/30/16	828,867	55,013	55,013	-	-	(5,225)	-
Title I Grants to Local Education Agencies	I	84.010	077-160470	09/07/16-09/30/17	77,780	53,848	-	48,623	48,623	-	-
Total CFDA #84.010						1,014,203	55,013	1,013,161	1,013,161	53,971	-
English Language Acquisition Grants	I	84.365	010-170470	07/01/16-09/30/17	110,674	54,511	-	46,842	46,842	(7,669)	-
English Language Acquisition Grants	I	84.365	010-170470	07/01/16-09/30/17	6,135	-	-	-	-	-	-
English Language Acquisition Grants	I	84.365	010-160470	07/01/15-09/30/16	106,810	35,603	(8,658)	44,261	44,261	-	-
English Language Acquisition Grants	I	84.365	010-160470	07/01/15-09/30/16	1,612	1,612	-	1,612	1,612	-	-
Total CFDA #84.365						91,726	(8,658)	92,715	92,715	(7,669)	-
Improving Teacher Quality State Grants	I	84.367	020-170470	07/01/16-09/30/17	271,320	181,311	-	220,039	220,039	38,728	-
Improving Teacher Quality State Grants	I	84.367	020-160470	07/01/15-09/30/16	276,481	91,716	(72,373)	164,089	164,089	-	-
Total CFDA #84.367						273,027	(72,373)	384,128	384,128	38,728	-
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	9,060	6,023	3,037	3,037	-	-
IDEA Special Education - Grants to States	I	84.027	N/A	07/01/16-06/30/17	1,200	1,200	-	1,200	1,200	-	-
A Achieve	I	84.027	2016-17-004	07/01/16-08/15/17	10,000	-	-	2,505	2,505	2,505	-
Passed through Chester County I.U.											
IDEA Special Education - Grants to States	I	84.027	62-1600024	07/01/16-09/30/17	1,321,619	-	-	1,321,619	1,321,619	1,321,619	-
IDEA Special Education - Grants to States	I	84.027	62-1500024	07/01/15-09/30/16	1,189,215	396,405	396,405	-	-	-	-
Total CFDA #84.027						406,665	402,428	1,328,361	1,328,361	1,324,124	-
IDEA Special Education - Preschool Grants	I	84.173	131-160024B	07/01/16-06/30/17	5,197	-	-	5,197	5,197	5,197	-
IDEA Special Education - Preschool Grants	I	84.173	131-150024B	07/01/15-09/30/16	4,502	4,502	4,502	-	-	-	-
Total CFDA #84.173						4,502	4,502	5,197	5,197	5,197	-
TOTAL U.S. DEPARTMENT OF EDUCATION						1,790,123	380,912	2,823,562	2,823,562	1,414,351	-
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	07/01/16-06/30/17	34,221	34,221	-	34,221	34,221	-	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						34,221	-	34,221	34,221	-	-

Continued on next page.

**WEST CHESTER AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

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 07/01/16	Revenue Recognized	Expenditures	Accrued (Unearned) Revenue 06/30/17	Passed Through to Subrecipients
Public Assistance Grant	I	97.036	FEMA-4267-DR-PA071611693	03/23/16-09/23/16	68,632	68,632	68,632	-	-	-	-
TOTAL FEDERAL EMERGENCY MANAGEMENT AGENCY						68,632	68,632	-	-	-	-
U.S. Department of Agriculture											
Passed through PA Department of Agriculture											
Value of USDA Donated Commodities	I	10.555	N/A	07/01/16-06/30/17	N/A	138,666	-	113,176	113,176	(25,490)	-
Value of USDA Donated Commodities	I	10.555	N/A	07/01/15-06/30/16	N/A	-	(27,633)	27,633	27,633	-	-
Passed through PA Department of Education											
National School Lunch Program	I	10.555	362	07/01/16-06/30/17	N/A	431,708	-	509,866	509,866	78,158	-
National School Lunch Program	I	10.555	362	07/01/15-06/30/16	N/A	17,019	17,019	-	-	-	-
Total CFDA #10.555						587,393	(10,614)	650,675	650,675	52,668	-
School Breakfast Program	I	10.553	365	07/01/16-06/30/17	N/A	95,963	-	111,987	111,987	16,024	-
School Breakfast Program	I	10.553	365	07/01/15-06/30/16	N/A	5,470	5,470	-	-	-	-
Total CFDA #10.553						101,433	5,470	111,987	111,987	16,024	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE						688,826	(5,144)	762,662	762,662	68,692	-
TOTAL FEDERAL AWARDS						\$ 2,581,802	\$ 444,400	\$ 3,620,445	\$ 3,620,445	\$ 1,483,043	\$ -
SPECIAL EDUCATION CLUSTER (IDEA) (CFDAs #84.027 AND #84.173)						\$ 411,167	\$ 406,930	\$ 1,333,558	\$ 1,333,558	\$ 1,329,321	\$ -
CHILD NUTRITION CLUSTER (CFDAs #10.553 AND #10.555)						\$ 688,826	\$ (5,144)	\$ 762,662	\$ 762,662	\$ 68,692	\$ -

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, 2017.

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, 2017 was \$432,914.

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, 2017, there were no indirect costs included in the schedule of expenditures of federal awards.