

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 29, 2026

NEW ISSUE-BOOK-ENTRY ONLY

RATING: Moody's: "Aaa" (Underlying)
See "RATING" herein

In the opinion of Bond Counsel, assuming compliance with certain covenants of the School District, interest on the Notes will be excluded from gross income of the owners of the Notes for federal income tax purposes under existing law, as currently enacted and construed. Interest on the Notes is not an item of tax preference for purposes of the federal individual alternative minimum tax. However, interest on the Notes will not be excluded from "adjusted financial statement income" for certain corporations that are not excluded from the federal corporate alternative minimum tax. Under the laws of the Commonwealth of Pennsylvania, as currently enacted and construed, the interest on the Notes is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax. For further information relating to federal and state tax matters relative to the Notes See "TAX MATTERS" herein.

\$67,425,000*

**Downingtown Area School District
Chester County, Pennsylvania**

\$38,430,000* General Obligation Notes, Series A of 2026
\$28,995,000* General Obligation Notes, Series B of 2026

Dated: Date of Delivery
Principal Due: November 1

First Interest Payment: November 1, 2026
Interest Due: May 1 and November 1

The Notes described herein are in the aggregate principal amount of \$67,425,000* and consist of two series, the \$38,430,000* General Obligation Notes, Series A of 2026 (the "2026A Notes"), and the \$28,995,000* General Obligation Notes, Series B of 2026 (the "2026B Notes"). The 2026A Notes and 2026B Notes are collectively referred to as (the "Notes") herein. The Notes will be registered in the name of Cede & Co., as the registered owner and nominee of The Depository Trust Company ("DTC"), New York, New York. Beneficial ownership of the Notes may be acquired in denominations of \$5,000 or any integral multiple thereof only under the book-entry only system maintained by DTC through its brokers and dealers who are, or act through, DTC Participants. The purchasers of the Notes will not receive physical delivery of the Notes. For so long as any purchaser is the beneficial owner of a Note, that purchaser 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 Notes. See "BOOK-ENTRY ONLY SYSTEM" herein. If, under the circumstances described herein, Notes are ever issued in certificated form, the Notes will be subject to registration of transfer, exchange and payment as described herein.

The Notes are general obligations of the Downingtown Area School District, Chester County, 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 on the Notes for such year and will duly and punctually pay or cause to be paid from the sinking funds established under the Resolution or any other of its revenues or funds the principal of every Note and the interest thereon on the dates, at the place and in the manner stated in the Notes, and for such budgeting, appropriation and payment the School District, subject to statutory restrictions and limitations, irrevocably has pledged its full faith, credit and available taxing power, which taxing power presently includes the power to levy ad valorem taxes on all taxable real property within the School District (But see "Security" and "Act 1 of Special Session 2006 (Taxpayer Relief Act)" herein).

Interest on each of the Notes is payable initially on November 1, 2026, and thereafter semiannually on May 1 and November 1 of each year until the maturity date of such Note or, if such Note is subject to redemption prior to maturity, until the date fixed for redemption thereof, if payment of the redemption price has been duly made or provided for. The School District has appointed Fulton Bank, National Association (the "Paying Agent"), as paying agent and sinking fund depository for the Notes. So long as Cede & Co., as nominee for DTC, is the registered owner of the Notes, payments of the principal of, redemption premium, if any, and interest on the Notes, when due for payment, will be made directly to DTC by the Paying Agent, and DTC will in turn remit such payments to DTC Participants for subsequent disbursement to the Beneficial Owners of the Notes. If the use of the Book-Entry Only System for the Notes is ever discontinued, the principal of and redemption premium, if any, on each of the Notes will be payable, when due, upon surrender of such Note to the Paying Agent at its corporate trust office located in Lancaster, Pennsylvania (or any successor paying agent at its designated office(s)) and interest on such Note will be payable by check and mailed to the person(s) in whose name(s) such Note is registered as of the Record Date with respect to the particular interest payment date (See "THE NOTES," *infra*).

The Notes are subject to optional and mandatory redemption prior to maturity as described herein.

Proceeds of the 2026A Notes will be used to: (1) refund all or a portion of the School District's outstanding General Obligation Bonds, Series of 2017, currently outstanding in the amount of \$9,495,000 (the "2017 Bonds"); (2) refund all or a portion of the School District's outstanding General Obligation Bonds, Series A of 2018, currently outstanding in the amount of \$6,250,000 (the "2018A Bonds"); (3) refund all or a portion of the School District's outstanding General Obligation Bonds, Series C of 2018, currently outstanding in the amount of \$25,850,000 (the "2018C Bonds"); and (4) pay the costs incurred by the School District in connection with the issuance of the 2026A Notes.

Proceeds of the 2026B Notes will be used to: (1) fund certain capital projects to include reimbursement to the School District for all or a portion of the costs of renovation and addition projects at Beaver Creek Elementary School and West Bradford Elementary School, as well as to pay the costs of renovations, additions and equipment for various School District facilities; and (2) pay the costs incurred by the School District in connection with the issuance of the 2026B Notes.

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

MATURITY DATES AND AMOUNTS, INTEREST RATES, INITIAL OFFERING PRICES AND CUSIPs*
See Inside Front Cover

The Notes 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 Lamb McErlane PC, of West Chester, Pennsylvania, Bond Counsel, to be furnished upon delivery of the Notes. Certain other legal matters will be passed upon for the School District by Lamb McErlane PC, of West Chester, Pennsylvania, School District Solicitor and for the Underwriter by McNees Wallace & Nurick LLC, of Lancaster, Pennsylvania, Limited Scope Underwriter's Counsel. PFM Financial Advisors LLC, Harrisburg, Pennsylvania, will act as Municipal Advisor to the School District in connection with the Notes. It is expected that the Notes will be available for delivery through DTC on or about June __, 2026.

RAYMOND JAMES®

Dated: _____
*Estimated, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion, amendment or other change without notice. The Notes may not be sold nor may offers to buy be accepted prior to the time the Preliminary Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Notes in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the applicable securities laws of any such jurisdiction.

\$67,425,000*
Downingtown Area School District
Chester County, Pennsylvania
General Obligation Notes, Series A of 2026 \$38,430,000*
General Obligation Notes, Series B of 2026 \$28,995,000*

Dated: Date of Delivery
Principal Due: November 1

Interest Due: May 1 and November 1
First Interest Payment: November 1, 2026

NOTE MATURITY SCHEDULE: 2026A Notes

Maturity Date (November 1) Year	Principal Amounts	Interest Rates	Initial Offering Prices	CUSIP Numbers ⁽¹⁾
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				
2037				
2038				
2039				
2040				

⁽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 Underwriters, 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 noteholders 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 Underwriters have agreed to, and there is no duty or obligation to, update this Preliminary Official Statement to reflect any change or correction in the CUSIP numbers set forth above.

*Estimated, subject to change.

\$67,425,000*
Downingtown Area School District
Chester County, Pennsylvania
General Obligation Notes, Series A of 2026 \$38,430,000*
General Obligation Notes, Series B of 2026 \$28,995,000*

Dated: Date of Delivery
Principal Due: November 1

Interest Due: May 1 and November 1
First Interest Payment: November 1, 2026

NOTE MATURITY SCHEDULE: 2026B Notes

Maturity Date (November 1) Year	Principal Amounts	Interest Rates	Initial Offering Prices	CUSIP Numbers ⁽¹⁾
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				
2037				
2038				
2039				
2040				
2041				
2042				
2043				
2044				
2045				
2046				
2047				

⁽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 Underwriters, 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 noteholders 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 Underwriters have agreed to, and there is no duty or obligation to, update this Preliminary Official Statement to reflect any change or correction in the CUSIP numbers set forth above.

*Estimated, subject to change.

DOWNINGTOWN AREA SCHOOL DISTRICT

Chester County, Pennsylvania

BOARD OF SCHOOL DIRECTORS

Audrey Blust	President
Joyce Houghton	Vice-President
Virginia B. Warihay	Secretary*
Bryan Howett	Treasurer*
Jane Bertone	Member
Caryn McCleary Ghrayeb	Member
Madhu Gurthy	Member
Erin Todorovac	Member
Mindy Ross	Member
Lisa Strobridge	Member
LeeAnn Wisdom	Member

*Non-voting member.

SUPERINTENDENT
DR. ROBERT O'DONNELL

DIRECTOR OF FINANCE AND OPERATIONS
BRYAN HOWETT

SCHOOL DISTRICT SOLICITOR
LAMB MCERLANE PC
West Chester, Pennsylvania

SCHOOL DISTRICT BOND COUNSEL
LAMB MCERLANE PC
West Chester, Pennsylvania

MUNICIPAL ADVISOR
PFM FINANCIAL ADVISORS LLC
Harrisburg, Pennsylvania

PAYING AGENT
FULTON BANK, NATIONAL ASSOCIATION
Lancaster, Pennsylvania

UNDERWRITER
RAYMOND JAMES & ASSOCIATES, INC.
Lancaster, Pennsylvania

LIMITED SCOPE UNDERWRITER'S COUNSEL
MCNEES, WALLACE & NURICK LLC
Lancaster, Pennsylvania

SCHOOL DISTRICT ADDRESS
540 Trestle Place
Downingtown, PA 19335

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 Preliminary Official Statement, and if given or made, such other information or representations must not be relied upon. This Preliminary 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 Notes 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 Preliminary 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.

The quotations from and summaries and explanation of provisions of laws and documents contained herein, including the cover page and Appendices attached hereto, do not purport to be complete. Reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Notes shall under any circumstances create any implication that there has been no change in the affairs of the School District since the date of this Official Statement.

THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES HERETO AND INFORMATION INCORPORATED HEREIN BY REFERENCE, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES HERETO AND INFORMATION INCORPORATED HEREIN BY REFERENCE, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE NOTES IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

The Underwriter may offer and sell the Notes to certain dealers (including dealers depositing the Notes into investment trust(s)) and others at prices lower than the public offering prices stated on the inside front cover hereof.

IN CONNECTION WITH THE OFFERING OF THE NOTES, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH NOTES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE NOTES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE RESOLUTION BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION OR OTHER SECURITIES REGULATOR. NEITHER THE SECURITIES AND EXCHANGE COMMISSION, NOR ANY STATE SECURITIES COMMISSION OR ANY OTHER SECURITIES REGULATOR HAS PASSED UPON THE MERITS OF THE NOTES OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

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PRELIMINARY OFFICIAL STATEMENT

\$67,425,000*

Downingtown Area School District

Chester County, Pennsylvania

General Obligation Notes, Series A of 2026 \$38,430,000*

General Obligation Notes, Series B of 2026 \$28,995,000*

INTRODUCTION

This Preliminary Official Statement, including the cover page and inside cover page hereof, is furnished by Downingtown Area School District, Chester County, Pennsylvania (the "School District"), in connection with the offering of \$67,425,000* combined aggregate principal amount of general obligation notes consisting of two series, the \$38,430,000* General Obligation Notes, Series A of 2026 (the "2026A Notes"), and the \$28,995,000* General Obligation Notes, Series B of 2026 (the "2026B Notes"). The 2026A Notes and 2026B Notes are collectively referred to as (the "Notes") herein. The Notes are dated as of their Date of Delivery and are being issued pursuant to a Resolution of the Board of School Directors of the School District adopted on February 11, 2026 (the "Resolution"), and pursuant to the Local Government Unit Debt Act of the Commonwealth of Pennsylvania (the "Commonwealth"), 53 Pa. C.S. § 8001 et seq., as amended (the "Act").

PURPOSE OF THE ISSUE

Proceeds of the 2026A Notes will be used to: (1) refund all or a portion of the School District's outstanding General Obligation Bonds, Series of 2017, currently outstanding in the amount of \$9,495,000 (the "2017 Bonds"); (2) refund all or a portion of the School District's outstanding General Obligation Bonds, Series A of 2018, currently outstanding in the amount of \$6,250,000 (the "2018A Bonds"); (3) refund all or a portion of the School District's outstanding General Obligation Bonds, Series C of 2018, currently outstanding in the amount of \$25,850,000 (the "2018C Bonds"); and (4) pay the costs incurred by the School District in connection with the issuance of the 2026A Notes.

Proceeds of the 2026B Notes will be used to: (1) fund certain capital projects to include reimbursement to the School District for all or a portion of the costs of renovation and addition projects at Beaver Creek Elementary School and West Bradford Elementary School, as well as to pay the costs of renovations, additions and equipment for various School District facilities; and (2) pay the costs incurred by the School District in connection with the issuance of the 2026B Notes.

Upon issuance of the 2026A Notes, a portion of the proceeds will be irrevocably deposited under an escrow agreement (the "Escrow Agreement") with Fulton Bank, National Association, as escrow agent (the "Escrow Agent"), and such proceeds will be held in cash and/or invested in United States Treasury Securities and United States Treasury Securities, State and Local Government Series (the "Government Obligations"), the principal of which, together with cash and any investment earnings thereon, will be in an amount sufficient to redeem the 2018A Bonds and the 2018C Bonds on August 1, 2026, at a redemption price of 100% of principal amount of the 2018A Bonds and refunded 2018C Bonds plus accrued interest thereon, pursuant to the optional redemption provisions of the 2018A and 2018C Bonds.

Sources and Uses of Note Proceeds

The following is a summary of the sources and uses of the proceeds of the Notes.

<u>SOURCE OF FUNDS</u>	<u>2026A Notes</u> <u>Total</u>	<u>2026B Notes</u> <u>Total</u>	<u>Total</u>
Par Amount.....			
Net Original Issue Premium/(Discount)			
Total Source of Funds.....			
<u>USE OF FUNDS</u>			
Available for Projects			
Amount Required to Call 2017 Bonds.....			
2018A Bonds Escrow Deposit.....			
2018C Bonds Escrow Deposit.....			
Cost of Issuance ⁽¹⁾			
Total Use of Funds.....			

⁽¹⁾ Includes legal, municipal advisor, printing, rating, underwriting, CUSIP, paying agent, escrow agent, and miscellaneous costs.

*Estimated, subject to change.

THE NOTES

Description

The Notes will be issued in fully registered form in denominations of \$5,000 and integral multiples thereof and will be in the aggregate principal amount of \$67,425,000*. The Notes will be dated 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 Preliminary Official Statement. Interest on the Notes will be payable initially on November 1, 2026, and thereafter semiannually on May 1 and November 1 of each year until the maturity date of such Note or, if such Note is subject to 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 Notes will be registered in the name of Cede & Co., as nominee for The Depository Trust Company (“DTC”), New York, New York. Purchasers of the Notes (the “Beneficial Owners”) will not receive any physical delivery of bond certificates, and beneficial ownership of the Notes 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 Notes, payments of principal or redemption price of and interest on the Notes, 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 price, and interest so paid.

If the use of the Book-Entry Only System for the Notes is discontinued for any reason, bond certificates will be issued to the Beneficial Owners of the Notes and payment of principal, redemption price and interest on the Notes shall be made as described in the following paragraphs.

The principal of the Notes, when due upon maturity or upon any earlier redemption, will be paid to the registered owners of the Notes, or registered assigns, upon surrender of the Notes to Fulton Bank, National Association (the “Paying Agent”), acting as paying agent and sinking fund depository for the Notes, at its corporate trust office in Lancaster, Pennsylvania (or to any successor paying agent at its designated office(s)).

Interest is payable to the registered owner of a Note from the interest payment date next preceding the date of authentication of the Note, unless: (a) such Note is authenticated as of an interest payment date, in which event such Note shall bear interest from said interest payment date, or (b) such Note is authenticated after a Regular Record Date (hereinafter defined) and before the next succeeding interest payment date, in which event such Note shall bear interest from such succeeding interest payment date, or (c) such Note is authenticated prior to the November 1, 2026, in which event such Note shall bear interest from the Date of Delivery of the Notes, or (d) as shown by the records of the Paying Agent, interest on such Note shall be in default, in which event such Notes shall bear interest from the date to which interest was last paid on such Note. Interest shall be paid initially on November 1, 2026 and thereafter semiannually on May 1 and November 1 of each year, until the principal sum is paid. Interest on each Note 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 calendar 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 the Note subsequent to such Regular 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 Note is registered at the close of business on a special record date (which shall be a business day) for the payment of such defaulted interest established by notice mailed by the Paying Agent to the registered owners of such Notes at least ten days preceding such special record date but not more than fifteen days prior to the payment date of such defaulted interest.

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

*Estimated, subject to change.

Transfer, Exchange and Registration of Notes

Subject to the provisions described under “BOOK-ENTRY ONLY SYSTEM” herein, Notes are transferable or exchangeable by the registered owners thereof upon surrender of Notes to the Paying Agent at its designated office in Lancaster, Pennsylvania, 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 Note or his attorney-in-fact or legal representative. The Paying Agent shall enter any transfer of ownership of Notes 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 Note as the absolute owner thereof (whether or not a Note 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.

Notes may be exchanged for a like aggregate principal amount of Notes of other authorized denominations of the same maturity and interest rate.

SECURITY FOR THE NOTES

General Obligation Pledge

The Notes will be general obligations of the School District, payable from its tax and other general revenues. The School District has covenanted that it will to the fullest extent authorized under applicable law 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 Notes 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 Notes and the interest thereon at the dates and place and in the manner stated on the Notes, 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 ad valorem taxes on all taxable property within the School District within the limits provided by law (see “Taxing Powers of the School District” herein). The Act presently provides for enforcement of debt service payments as hereinafter described (see “Defaults and Remedies” herein), and the Public School Code presently provides for the withholding and application of subsidies in the event of failure to pay debt service (see “Commonwealth Enforcement of Debt Service Payments” herein).

Commonwealth Enforcement of Debt Service Payments

Section 633 of the Pennsylvania Public School Code of 1949, as amended by Act 154 of 1998 (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 at 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 Notes were issued, the Secretary of Education shall notify such board of school directors of its obligation and shall withhold out of any state 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 Notes, 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. But see “**Pennsylvania Budget Adoption**”.

Pennsylvania Budget Adoption

Over several of the past years, the Commonwealth has started its fiscal year without a fully adopted state budget.

The Governor signed the state’s 2021-2022 fiscal year budget on June 30, 2021. The budget included an increase of \$300 million for basic education, with \$100 million of that targeted to the 100 historically underfunded school districts that includes some in both urban and rural areas of the state. Special education received a \$50 million increase, boosting that budget line to \$1.24 billion, while preschool and Head Start programs received a \$30 million increase, to \$311.5 million. All told, funding for K-12 schools reached a then record high of \$13.55 billion.

After a week’s delay and intense negotiations, the \$45.2 billion budget for Pennsylvania’s 2022-2023 fiscal year was signed by the Governor on July 8, 2022. The 2022-2023 enacted budget included \$7,625,124,000 for the basic education funding appropriation and \$225,000,000 to supplement those school districts with a higher at risk student population. The total amount was a \$767,820,000 (10.83%) increase over the 2021-2022 fiscal year appropriation.

After over a month delay and intense negotiations, a \$45.5 billion budget for the state’s 2023-24 fiscal year was signed by Governor Josh Shapiro on August 3, 2023, which included \$8,421,751,000 for the basic education funding appropriation. The total

amount is a \$796,627,000 (10.45%) increase over the 2022-2023 fiscal year appropriation. The budget also provided \$50 million in additional aid to school districts for special education services for a total of \$1.3 billion.

Governor Josh Shapiro signed the state's budget for the 2024-25 fiscal year 11 days late on July 11, 2024. The \$47.6 billion budget included \$8.097 billion for the basic education funding appropriation. The total amount was a \$225 million increase over the 2023-2024 fiscal year appropriation. The budget also provided \$100 million in additional aid to school districts for special education services for a total of \$1.487 billion and \$100 million for cyber charter school tuition reimbursement. 348 school districts (including the School District) received additional funding totaling \$493.8 million under a new Adequacy Supplement. 182 school districts received an additional \$60 million in total of Hold Harmless Relief Supplement as a component of their basic education funding.

After months of negotiations, Governor Josh Shapiro signed the state's budget for the 2025-26 fiscal year late on November 12, 2025. The \$50.1 billion budget includes (i) \$8.262 billion for the basic education funding appropriation, which is more than a \$100 million increase over the basic education funding appropriation for the 2024-25 fiscal year, and (ii) \$1.526 billion for the special education appropriation, which is a \$40,000,000 increase over the same appropriation for the 2024-25 fiscal year. The budget also increases the Ready to Learn Block Grant program appropriation by approximately 68% from the 2024-25 fiscal year. In addition, the budget hopes to provide \$175 million in estimated savings for school districts through reforms to the existing cyber charter school law.

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 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 School Code during any future budget impasses. See "Act 85 of 2016" hereinafter.

Act 85 of 2016

On July 13, 2016, the Governor of the Commonwealth signed into law Act No. 85 of 2016, (P.L. 664, No. 85) ("Act 85 of 2016"), an amendment to the Act of April 9, 1929 (P.L. 343, No. 176), known as the Fiscal Code ("Fiscal Code"). Act 85 of 2016 adds to the Fiscal Code Article XVII-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 statutes" Section 633 of the Public School Code. The School District's general obligation bonds, including the Notes, 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 and paid to the paying agent on the day the scheduled payment for principal and interest is due on the expiration of the tenth 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 XVII-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 Preliminary Official Statement for the relevant bonds or notes or the loan documents relating to the obligations, within thirty days of receipt of the proceeds of the obligations. The School District intends on submitting this information with respect to the Notes to PDE within the prescribed timeframe following the issuance of the Notes. 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 Notes and may be amended or repealed by future legislation.

Sinking Funds

Sinking funds for the payment of debt service on the Notes, designated “Sinking Fund, General Obligation Notes, Series A of 2026 and General Obligation Notes, Series B of 2026” (the “Sinking Funds”), has been created under the Resolution and is maintained by the Paying Agent, as sinking fund depository. The School District shall deposit in the Sinking Funds a sufficient sum not later than the date when interest or principal is to become due on the Notes so that on each payment date the Sinking Funds will contain an amount which, together with any other funds available therein, is sufficient to pay, in full, interest and principal then due on the Notes.

The Sinking Funds shall be held by the Paying Agent, as sinking fund depository, and invested by the Paying Agent in such securities or shall be deposited in such funds or accounts as are authorized by the Act, 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 Funds.

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 Notes, as and when due and payable.

REDEMPTION OF NOTES

Mandatory Redemption – 2026A Notes

In the manner and upon the terms and conditions provided in the Resolution, the Notes stated to mature on November 1, 20__ are subject to mandatory sinking fund redemption prior to maturity in direct order of maturity pursuant to operation of the Sinking Fund in the manner set forth in the Resolution at a redemption price equal to one-hundred percent (100%) of the principal amount thereof, together with accrued interest on November 1 of the following years in the following principals amounts, as drawn by lot by the Paying Agent.

Term Notes Due November 1, 20__ :

<u>Year</u>	<u>Amount</u>
--------------------	----------------------

* Final stated maturity.

Mandatory Redemption – 2026B Notes

In the manner and upon the terms and conditions provided in the Resolution, the Notes stated to mature on November 1, 20__ are subject to mandatory sinking fund redemption prior to maturity in direct order of maturity pursuant to operation of the Sinking Fund in the manner set forth in the Resolution at a redemption price equal to one-hundred percent (100%) of the principal amount thereof, together with accrued interest on November 1 of the following years in the following principals amounts, as drawn by lot by the Paying Agent.

Term Notes Due November 1, 20__ :

<u>Year</u>	<u>Amount</u>
--------------------	----------------------

* Final stated maturity.

Optional Redemption – 2026A Notes

The Notes stated to mature on or after November 1, 20__, shall be subject to redemption prior to maturity, at the option of the School District, as a whole, on November 1, 20__, or on any date thereafter, or from time to time, in part (and if in part, in any order of maturity as selected by the School District and within a maturity by lot), in either case upon payment of a redemption price of 100% of the principal amount of such Notes, together with accrued interest to the redemption date.

Optional Redemption – 2026B Notes

The Notes stated to mature on or after November 1, 20__, shall be subject to redemption prior to maturity, at the option of the School District, as a whole, on November 1, 20__, or on any date thereafter, or from time to time, in part (and if in part, in any order of maturity as selected by the School District and within a maturity by lot), in either case upon payment of a redemption price of 100% of the principal amount of such Notes, together with accrued interest to the redemption date.

Notice of Redemption

Notice of any redemption shall be given by depositing a copy of the redemption notice by first class mail not less than thirty nor more than sixty days prior to the date fixed for redemption addressed to each of the registered owners of Notes to be redeemed, in whole or in part, at the addresses shown on the registration books; 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 Notes so 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 Notes or portions thereof so called for redemption shall cease to accrue and such Notes or portions thereof shall cease to be entitled to any benefit or security under the Resolution, and registered owners of such Notes or portions thereof so called for redemption shall have no rights with respect to such Notes, except to receive payment of the principal of and accrued interest on such Notes 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 (or, in the case of a refunding, with another bank or depository acting as refunding escrow agent) money sufficient to redeem all Bonds 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.

Manner of Redemption

If a note is of a denomination larger than \$5,000, a portion of such note may be redeemed. For the purposes of redemption, a note shall be treated as representing that number of notes which is obtained by dividing the principal amount thereof by \$5,000, each \$5,000 portion of such note being subject to redemption. In the case of partial redemption of a note, payment of the redemption price shall be made only upon surrender of such note in exchange for notes of authorized denominations in an aggregate principal amount equal to the unredeemed portion of the principal amount thereof.

If the redemption date for any notes shall be a Saturday, Sunday, legal holiday, a day on which banking institutions in the Commonwealth are authorized or required by law or executive order to close, or a day on which the New York Stock Exchange is closed, 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, or a day on which the New York Stock Exchange is closed, and payment on such date shall have the same force and effect as if made on the nominal date of redemption.

If at the time of mailing of any notice of redemption the School District shall not have deposited with the Paying Agent funds sufficient to redeem all of the Notes called for redemption, such notice may state that it is conditional, that is, subject to the deposit of redemption monies with the Paying Agent no later than the redemption date, and that such notice will be of no effect unless such moneys are so deposited.

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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 Notes. The Notes will be issued as fully-registered bonds 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 Note certificate will be issued for each series of the Notes, each in the aggregate principal amount of such issue, 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 Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The Ownership interest of each actual purchaser of each Note ("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 Notes 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 Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes 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 Notes 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 Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes 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 Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes 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 Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the 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 Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds on the Notes 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 Paying Agent, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from

time to time. Payment of redemption proceeds, distributions, and dividend payments 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 Notes 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, Note 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, Note 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 the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

NEITHER THE SCHOOL DISTRICT 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 NOTES; (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 NOTES; (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 RESOLUTION TO BE GIVEN TO NOTEHOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE NOTES; OR (6) ANY OTHER ACTION TAKEN BY DTC AS NOTEHOLDER.

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 Notes paid to DTC or its nominee, as the registered owner of the Notes, 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 Preliminary Official Statement.

THE SCHOOL DISTRICT

The School District is located in central Chester County and covers an area of 81 square miles. The School District is located in the Chester Valley which runs east and west through the area. Geographically the area encompassed by the School District is in the shape of a figure eight, 25 miles west of Philadelphia, 35 miles east of Lancaster, Pennsylvania and 20 miles north of Wilmington, Delaware. Many well-known unincorporated communities are located within the School District and these include: Marshallton in West Bradford Township, Lionville in Uwchlan Township, Whitford in East Caln Township, Lyndell and Guthriesville in East Brandywine Township, Glenmoore in Wallace Township, Eagle in Upper Uwchlan Township and Chester Springs in West Pikeland Township.

The School District is characterized by rolling hills and valleys flanking the east branch of the Brandywine Creek and its tributaries. Economically, the northern portion of the School District is residential and agricultural in nature with many large estates. Located in this section of the School District is the Pickering Hunt Club, one of the oldest fox hunting clubs in the United States. The School District has experienced substantial residential and moderate industrial growth in the last twenty years.

Residential growth has taken place mainly in East Caln, Uwchlan, Upper Uwchlan and West Bradford Townships and is due chiefly to the location of these Townships in relation to the more urban centers of Downingtown, King of Prussia, West Chester, Malvern, Great Valley, Philadelphia, Valley Forge, and Wilmington, Delaware. These Townships are on the fringe of urban influence but still possess the advantage of a country environment.

Industrial growth within the School District has been influenced by two factors: first, the main line of Norfolk Southern passes through the Borough of Downingtown and East Caln Township and second, the Downingtown Interchange of the Pennsylvania Turnpike, a major access interchange for the western suburbs of Philadelphia is located in Uwchlan Township.

Administration

The governing body of the School District is a board of nine school directors who are elected on a staggered basis. The daily operations and management of the School District are carried out by the administrative staff of the School District headed by the Superintendent of Schools. The Director of Finance and Operations is responsible for the budget and financial operations. Both of these officials are appointed by the Board of School Directors.

School Facilities

The School District presently operates ten elementary schools, a 6th grade center, two middle schools, a STEM Academy and two senior high schools, all as described below.

**TABLE 1
DOWNTOWN AREA SCHOOL DISTRICT
SCHOOL FACILITIES**

Building	Original Construction Date	Most Recent Renovation Date	Grades	Rated Pupil Capacity	2025-26 Enrollment
<u>Elementary:</u>					
Beaver Creek	1960	2025	K-5	525	522
Bradford Heights	1990	---	K-5	550	513
Brandywine Wallace.....	1960	2008	K-5	600	504
East Ward	1968	1997	K-5	650	577
Lionville	1960	1997	K-5	600	563
Pickering Valley	2006	---	K-5	650	516
Shamona Creek.....	1990	2006	K-5	700	485
Uwchlan Hills.....	2020	---	K-5	600	566
West Bradford	1966	2025	K-5	575	628
Springton Manor.....	2008	---	K-5	650	559
Marsh Creek 6 th Grade Center	2014	---	6	1,250	1,017
<u>Secondary:</u>					
Lionville Middle School.....	1997	2006	7-8	1,350	1,040
Downingtwn Middle School.....	1997	2006	7-8	1,350	1,102
STEM Academy	1932	2020	9-12	1,100	955
Downingtwn Senior High East	1968	2024	9-12	1,700	1,705
Downingtwn Senior High West.....	1959	2024	9-12	1,800	1,804

Source: School District Officials.

Enrollment Trends

Table 2 presents recent trends in school enrollment and projections of enrollment for the next 5 years, as prepared by the School District's administrative officials.

**TABLE 2
DOWNTOWN AREA SCHOOL DISTRICT
ENROLLMENT TRENDS**

Actual Enrollment				Projected Enrollment			
Year	Elementary	Secondary	Total	Year	Elementary	Secondary	Total
2021-22	6,619	6,558	13,177	2026-27	6,627	6,589	13,216
2022-23	6,633	6,637	13,270	2027-28	6,710	6,526	13,236
2023-24	6,609	6,669	13,278	2028-29	6,795	6,507	13,302
2024-25	6,490	6,571	13,061	2029-30	6,850	6,553	13,403
2025-26	6,450	6,606	13,056	2030-31	7,035	6,462	13,497

Source: School District estimates. Enrollments include Technical School students.

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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 Finance and Operations and submitted to the School Board for approval prior to the beginning of the fiscal year on July 1.

Financial Reporting

The School District has organized its accounts on the basis of funds or groups of funds, each of which is a separate accounting entity. It maintains a General Fund for instructional, operational and administrative expenses, a Food Services Fund, a Capital Reserve Fund for Capital Improvements, Capital Project Funds for Construction Projects as needed and various school activity funds. Federal funds are appropriated by the School Board during the fiscal year after grant commitments and project approvals are received. 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. The School District financial statements are currently audited by Clifton Larson Allen LLP (the "Auditor"), independent certified public accountants, as required by Commonwealth law.

Budgeting Process in School Districts under the Taxpayer Relief Act

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

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

If the adopted preliminary budget includes an increase in the rate of any tax levy, the preliminary budget must be submitted to the Pennsylvania Department of Education (PDE) no later than 85 days prior to the date of the election immediately preceding the fiscal year. PDE is to compare the proposed percentage increase in the rate of any tax with the school district's Index (*see* "**The Taxpayer Relief Act (Act 1)**" 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.

Summary of Financial Results

A summary of the General Fund balance sheet and changes in fund balances is presented in Tables 3 and 4. Table 5 shows audited revenues and expenditures for the past 5 years and the 2025-26 budget.

TABLE 3
DOWNINGTOWN AREA SCHOOL DISTRICT
SUMMARY OF GENERAL FUND
BALANCE SHEET
(Years Ending June 30)

	Audited				
	2021	2022	2023	2024	2025
ASSETS					
Cash and Cash Equivalents.....	\$45,908,352	\$35,183,958	\$18,642,576	\$53,511,407	\$55,405,458
Investments.....	6,869,180	20,048,480	38,445,445	6,388,000	7,339,000
Taxes Receivable (net)	3,594,991	2,970,645	2,326,280	2,405,369	2,855,051
Due from Other Funds.....	3,661	3,133	2,808	3,413	359
Intergovernmental Receivable.....	8,675,130	9,415,135	9,580,414	11,461,029	10,269,912
Prepaid Expenses.....	149,668	28,788	91,550	283,576	211,092
Other Receivables.....	1,399,180	2,140,289	1,875,966	1,686,983	1,180,295
TOTAL ASSETS	<u>\$66,600,162</u>	<u>\$69,790,428</u>	<u>\$70,965,039</u>	<u>\$75,739,777</u>	<u>\$77,261,167</u>
LIABILITIES					
Interfund & Intergovernmental Payables.....	\$7,669,060	\$9,003,421	\$9,660,170	\$10,688,157	\$9,024,302
Accounts Payable	5,593,739	3,277,875	3,547,662	4,136,538	7,034,537
Accrued Salaries and Benefits.....	30,212,106	33,933,191	35,264,550	36,149,634	37,721,773
Unearned Revenue.....	732,027	963,738	388,120	182,996	205,789
TOTAL LIABILITIES	<u>\$44,206,932</u>	<u>\$47,178,225</u>	<u>\$48,860,502</u>	<u>\$51,157,325</u>	<u>\$53,986,401</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Property Taxes.....	\$2,716,673	\$1,805,069	\$1,623,085	\$1,622,872	\$2,153,296
FUND BALANCES					
Non-spendable.....	\$149,668	\$28,788	\$91,550	\$283,576	\$211,092
Assigned.....	0	0	0	0	0
Unassigned	19,526,889	20,778,346	20,389,902	22,676,004	20,910,378
TOTAL FUND BALANCES	<u>\$19,676,557</u>	<u>\$20,807,134</u>	<u>\$20,481,452</u>	<u>\$22,959,580</u>	<u>\$21,121,470</u>
TOTAL LIABILITIES DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$66,600,162</u>	<u>\$69,790,428</u>	<u>\$70,965,039</u>	<u>\$75,739,777</u>	<u>\$77,261,167</u>

Source: School District Audited Financial Statements for fiscal year ending June 30, 2021, through and including fiscal year ending June 30, 2025.

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

	Audited					Budget
	2021	2022	2023	2024	2025	2026 ⁽¹⁾
Beginning Fund Balance	\$18,779,482	\$19,676,557	\$20,807,134	\$20,481,452	\$22,959,580	\$21,121,470
Revenues over (under) Expenditure	897,075	1,130,577	(325,682)	2,478,128	(1,838,110)	0
Ending Fund Balance	<u>\$19,676,557</u>	<u>\$20,807,134</u>	<u>\$20,481,452</u>	<u>\$22,959,580</u>	<u>\$21,121,470</u>	<u>\$21,121,470</u>

*Totals may not add due to rounding.

⁽¹⁾ As adopted May 21, 2025.

Source: School District Audited Financial Statements for fiscal year ending June 30, 2021, through and including fiscal year ending June 30, 2025, and PDE-2028 2025-26 Budget.

General Fund Revenue and Expenditures

The School District received General Fund revenue of \$288,313,023 from local, state, and federal sources in 2024-25. Local sources have contributed a decreasing share of revenue in the past five years, from 75.51% in 2020-21 to 75.47% in 2024-25. Revenue from State sources decreased as a share of the total from 22.89% to 22.74% over this period. Federal and other revenue increased over this period.

The budget for 2025-26, as adopted May 21, 2025, has revenues of \$299,869,158 and expenditures of \$291,340,654.

TABLE 5
DOWNINGTOWN AREA SCHOOL DISTRICT
SUMMARY OF SCHOOL DISTRICT GENERAL FUND
REVENUES AND EXPENDITURES*
(Years Ending June 30)

Revenues	Audited					Budget
	2021	2022	2023	2024	2025	2026 ⁽¹⁾
Local Sources:						
Real Estate Taxes	\$145,661,943	\$153,669,180	\$162,634,888	\$168,928,550	\$176,059,533	\$185,700,724
Public Utility Realty Tax	161,900	166,162	168,584	164,434	182,376	165,000
Realty Transfer Tax	4,868,084	5,021,225	3,760,721	3,910,412	3,694,909	0
Earned Income Taxes	19,519,517	21,276,193	22,080,903	23,370,511	23,777,575	29,394,500 ⁽²⁾
Local Services Taxes	206,962	233,578	242,944	252,637	251,126	253,000
Earnings from Investments	531,235	245,166	3,732,764	6,476,891	5,873,078	4,765,000
Other Local Revenues	6,985,905	8,814,630	7,201,501	7,702,977	7,749,366	7,320,303
State Sources	53,930,959	56,302,669	59,611,939	61,513,658	65,571,417	69,545,631
Federal Sources	3,787,174	4,027,664	4,035,130	5,464,789	5,153,643	2,725,000
TOTAL REVENUES	\$235,653,679	\$249,756,467	\$263,469,374	\$277,784,859	\$288,313,023	\$299,869,158
Expenditures						
Instruction	\$147,133,789	\$155,402,222	\$164,726,632	\$170,037,781	\$180,302,192	\$182,554,517
Support Services	66,798,832	71,165,099	75,263,561	80,853,123	87,112,008	92,328,792
Non-Instructional Services	3,303,190	4,010,801	4,296,203	4,543,861	5,021,133	4,985,873
Capital Outlay	277,151	208,530	257,934	264,616	471,328	275,000
Debt Service	9,851,679	9,853,645	9,862,215	9,292,223	9,221,057	7,514,000
Budgetary Reserve	0	0	0	0	0	3,682,472
TOTAL EXPENDITURES	\$227,364,641	\$240,640,297	\$254,406,545	\$264,991,604	\$282,127,718	\$291,340,654
EXCESS (DEFICIENCY) OF						
REVENUES OVER EXPENDITURES	\$8,289,038	\$9,116,170	\$9,062,829	\$12,793,255	\$6,185,305	\$8,528,504
Other Financing Sources (Uses):						
Interfund Transfers Out (Non-Reimbursement)	(\$7,646,256)	(8,978,703)	(9,635,867)	(10,665,268)	(8,548,481)	(8,928,504)
Sale of Capital Assets and Other Sources	147,347	616,451	183,674	342,808	427,555	400,000
Insurance Recoveries	0	98,681	26,253	7,333	22,799	0
Refunds of Prior Years Expenses	112,750	278,505	45,767	0	74,712	0
Refunds of Prior Years Revenues	(5,804)	(527)	(8,338)	0	0	0
TOTAL OTHER FINANCING SOURCES (USES)	(\$7,391,963)	(\$7,985,593)	(\$9,388,511)	(\$10,315,127)	(\$8,023,415)	(\$8,528,504)
NET CHANGE IN FUND BALANCES	\$897,075	\$1,130,577	(\$325,682)	\$2,478,128	(\$1,838,110)	\$0
FUND BALANCES - JULY 1	\$18,779,482	\$19,676,557	\$20,807,134	\$20,481,452	\$22,959,580	\$21,121,470
FUND BALANCES - JUNE 30	\$19,676,557	\$20,807,134	\$20,481,452	\$22,959,580	\$21,121,470	\$21,121,470

*Totals may not add due to rounding.

⁽¹⁾ Budget as adopted May 21, 2025.

⁽²⁾ Includes revenues budgeted for Earned Income and Realty Transfer Taxes.

Source: School District Audited Financial Statements for fiscal year ending June 30, 2021, through and including fiscal year ending June 30, 2025, and PDE-2028 2025-26 Budget.

TAXES AND TAXING POWERS OF THE SCHOOL DISTRICT

In General

Subject to certain limitations imposed by the Taxpayer Relief Act (more specifically described below), 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 by Act 32 of 2008, enacted July 2, 2008 (53 P.S. §6924.101) 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 Pennsylvania Act No. 1 of the Special Session of 2006, as amended by Act 25 of 2011 (“The Taxpayer Tax Relief Act” or “Act 1”), a school district may not, in fiscal year 2007-2008 or in any subsequent fiscal year, levy any tax for the support of the public schools which was not levied in the 2006-2007 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 incurred (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, next, and prior four fiscal years are as follows:

Fiscal Year	Index %
2021-22	3.0%
2022-23	3.4%
2023-24	4.1%
2024-25	5.3%
2025-26	4.0%
2026-27	3.5%

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. The referendum 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 seeking approval to levy or increase the rate of an EIT or impose PIT for the purpose of funding homestead and farmstead exclusions, but the proposed rate of the EIT or PIT shall not exceed the rate that is required to provide the maximum homestead and farmstead exclusions allowable under law.

The information set forth above is a summary 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 Notes should review the full text of Act 1 as a part of any decision to purchase the Notes.

Status of the Notes Under Act 1

The Notes do not qualify for an exception to the Index and referendum requirement for debt incurred prior to the effective date of Act 1 (or its predecessor statute Act 72).

Act 130 of 2008

Act 130 of 2008 of the Commonwealth amended the Local Tax Enabling Act so as to authorize school districts levying an occupation tax to replace that occupation tax with an increased earned income tax or, if the school district has implemented a personal income tax in accordance with the Taxpayer Relief Act, an increased personal income tax, in a revenue neutral manner. To so replace an occupation tax, the board of school directors must first hold at least one public hearing on the matter and then place a binding referendum question on the ballot at a general or municipal election for approval by the voters.

The School District currently does not levy an occupation tax.

Act 48 of 2003 – Limitation on School District Fund Balance

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 and 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.

Set forth above is a summary of relevant portions of Act 48. This summary is not intended to be an exhaustive discussion of the provisions of Act 48 nor a legal interpretation of any provisions of Act 48. A prospective purchaser of the Notes should review the full text of Act 48 as a part of any decision to purchase the Notes.

*Applicable to the School District.

Tax Levy Trends

Table 6 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, Downingtown Borough and the seven townships comprising the School District and Chester County.

**TABLE 6
DOWNINGTOWN AREA SCHOOL DISTRICT
TAX RATES**

Fiscal Year	Real Estate Millage (mills)	Real Estate Transfer (%)	Wage and Income (%)	Local Services (\$)
2021-22	27.7260	0.50%	0.50%	\$5.00
2022-23	28.5580	0.50%	0.50%	\$5.00
2023-24	29.5580	0.50%	0.50%	\$5.00
2024-25	30.7110	0.50%	0.50%	\$5.00
2025-26	31.9100	0.50%	0.50%	\$5.00

Source: School District Budgets and Department of Community and Economic Development – Municipal Statistics.

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

Fiscal Year	2021-22	2022-23	2023-24	2024-25	2025-26
School District	27.7260	28.5580	29.5580	30.7110	31.9100
Municipalities:	2022	2023	2024	2025	2026
Downingtown Borough.....	7.6500	7.6500	7.6500	8.6500	8.6500
East Brandywine Township.....	3.0300	3.0300	3.0300	3.0300	3.0300
East Caln Township.....	1.2500	1.2500	1.2500	1.2500	1.2500
Upper Uwchlan Township.....	1.0340	1.0340	1.0340	1.0340	1.0340
Uwchlan Township.....	0.1200	0.1200	0.1200	0.4400	1.0250
Wallace Township.....	0.0000	0.0000	0.0000	0.0000	0.0000
West Bradford Township.....	0.5000	0.5000	0.5000	0.5000	0.2500
West Pikeland Township.....	0.8000	0.8000	0.8000	1.5500	1.5500
Chester County	4.5510	4.5510	4.5510	5.1640	5.1640

Source: Department of Community and Economic Development – Municipal Statistics and School District Budgets.

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Real Property Tax

The real property tax including interim collections (excluding delinquent collections) produced \$173,852,390 in 2024-25 or 60.19 percent of total revenue, according to the School District’s fiscal year ending June 30, 2025 Audited Financial Statements. The tax is levied on July 1 of each year. Taxpayers who remit within 60 days receive a 2 percent discount and those who remit subsequent to 120 days after July 1 are assessed a 10 percent penalty.

The following tables summarize recent trends of assessed and market valuations of real property and real property tax collection data. The assessment policy is to assess all real property at 100% of market value.

**TABLE 8
DOWNTOWNTOWN AREA SCHOOL DISTRICT
REAL PROPERTY ASSESSMENT DATA**

Fiscal Year	Market Value	Assessed Value	Ratio
2020-21.....	\$9,246,479,790	\$5,599,067,168	60.55%
2021-22.....	9,384,850,777	5,672,388,757	60.44%
2022-23.....	10,268,624,455	5,813,232,620	56.61%
2023-24.....	10,534,155,117	5,947,341,173	56.46%
2024-25.....	11,588,031,238	6,042,367,002	52.14%
Compound Average Annual Percentage Change	5.81%	1.92%	

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

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

	2023-24 Market Value	2023-24 Assessed Value	2024-25 Market Value	2024-25 Assessed Value
Downingtown Area School District.....	\$10,534,155,117	\$5,947,341,173	\$11,588,031,238	\$6,042,367,002
Downingtown Borough.....	\$766,109,459	\$422,353,540	\$937,975,135	\$465,986,178
East Brandywine Township.....	1,265,193,620	727,575,459	1,397,135,064	733,935,529
East Caln Township.....	883,934,274	496,302,862	926,222,157	515,074,722
Upper Uwchlan Township.....	1,937,644,811	1,102,588,445	2,150,381,275	1,129,718,845
Uwchlan Township.....	2,860,837,921	1,581,992,605	3,072,098,869	1,570,488,266
Wallace Township.....	462,850,083	277,972,911	515,305,436	282,124,411
West Bradford Township.....	1,677,339,963	945,147,786	1,832,182,118	948,556,926
West Pikeland Township.....	680,244,986	393,407,565	756,731,184	396,482,125
Chester County.....	\$72,810,924,019	\$40,398,200,356	\$79,300,010,423	\$40,796,022,894

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

**TABLE 10
DOWNTOWNTOWN AREA SCHOOL DISTRICT
ASSESSMENT BY LAND USE**

	2020-21	2021-22	2022-23	2023-24	2024-25
Residential.....	\$4,514,205,935	\$4,585,728,364	\$4,695,966,669	\$4,785,895,319	\$4,851,360,509
Lots.....	37,343,838	36,709,608	32,842,158	26,504,749	34,836,859
Industrial.....	53,374,788	54,364,388	54,751,888	62,073,570	66,314,650
Commercial.....	929,026,167	931,811,637	967,070,565	1,007,533,005	1,023,877,064
Agriculture.....	47,441,330	47,310,510	47,317,330	48,879,970	49,749,870
Trailers.....	11,715,080	10,886,120	10,222,480	10,093,760	10,211,290
Land.....	5,960,030	5,578,130	5,061,530	6,360,800	6,016,760
Total.....	\$5,599,067,168	\$5,672,388,757	\$5,813,232,620	\$5,947,341,173	\$6,042,367,002

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

**TABLE 11
DOWNTOWN AREA SCHOOL DISTRICT
REAL PROPERTY TAX COLLECTION DATA**

Fiscal Year	Assessed Valuation	Total Adjusted Flat Billing⁽¹⁾	Current Year Collections (July-June)	Current Collections as Percent of Total Adjusted Flat Billing	Total Current Plus Delinquent Collections⁽²⁾	Total Collections as Percent of Total Flat Billing
2021-22	\$5,721,982,227	\$151,026,924	\$148,850,828	98.56%	\$152,475,757	100.96%
2022-23	5,881,881,302	159,277,249	157,626,568	98.96%	160,404,949	100.71%
2023-24	6,028,928,335	169,026,352	166,998,655	98.80%	169,553,087	100.31%
2024-25	6,051,873,755	176,414,395	173,852,390	98.55%	176,334,161	99.95%
2025-26 (est)	6,123,151,938	185,462,005	182,900,000	98.62%	185,400,000	99.97%

⁽¹⁾ Flat billing plus penalties, less discounts and exonerations and Homestead exclusions.

⁽²⁾ Includes real property assessments plus delinquent collections.

Source: School District Officials.

The ten largest real property taxpayers, together with their assessed values are shown in Table 12. The aggregate assessed value of these ten taxpayers totals approximately 4.09 percent of total assessed value. All major real property tax accounts are current.

**TABLE 12
DOWNTOWN AREA SCHOOL DISTRICT
TEN LARGEST REAL PROPERTY TAXPAYERS**

Owner	2025-26 Assessed Values
Brandywine Square LLC	\$52,946,130
Marchwood Apartments Owner LLC	32,425,647
Woodbine Owner LLC	22,872,080
Meridian at Eagleview LP	22,374,000
Claremont Apartments LP	22,035,000
AGNL SIT LLC	20,025,000
Downtown Fee Owner LLC	19,842,452
Brandywine Station LP	19,430,500
DSM Biomedical Inc	18,360,000
Hamilton Apartments LP	17,110,640
Total	<u>\$247,421,449</u>

Source: School District and County Officials.

Other Taxes

Under Act 511, the School District received \$27,723,609 in other taxes in 2024-25 according to the School District's fiscal year ending June 30, 2025 Audited Financial Statements. Among the taxes authorized by Act 511, the Earned Income Tax, Real Estate Transfer Tax and Local Services Tax are levied by the School District. Its limit under Act 511, equal to 12 mills on the market value of real property, was approximately \$139,056,375.

Earned Income Tax: The School District levies a tax of 0.5% on the earned income of residents. For 2024-25 the School District received \$23,777,575 or 8.25 percent of total revenue.

Local Services Tax. A tax of \$5.00 is levied on each person with an occupation. In 2024-25 the collected portion of this tax yielded \$251,126 or less than one percent of total revenue.

Real Estate Transfer Tax. A tax of 0.5% of the value of real estate transfers. In 2024-25 the School District received \$3,694,909 or 1.28 percent of total revenue.

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COMMONWEALTH AID TO SCHOOL DISTRICT

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.

Basic education funding is allocated to all school districts in an amount equal to: (1) a fixed sum equal to the school district's Fiscal Year 2014-15 basic educational funding; plus (2) an additional increment determined annually pursuant to statutory formula which adjusts a school district's average daily membership by a number of factors specific to the composition of the student population as well as the school district's median household income, local tax effort and capacity to generate local revenue. The additional increment as calculated above for any individual school district may be zero.

Information concerning the calculation of the School District's basic education funding can be found on the Pennsylvania Department of Education's website at <https://www.education.pa.gov>.

School districts may also receive state aid for special education, pupil transportation, vocational education, and health services, among other things.

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 2026A Notes following final approval by PDE. Commonwealth reimbursement is calculated based on the "Reimbursable Percentage" assigned to the Notes by the PDE and the School District's permanent Capital Account Reimbursement Fraction ("CARF") (35.81%) or the wealth based Market Value Aid Ratio ("MVAR") currently (38.24%), 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 2026A Notes will be 14.79% (there has been no determination by the PDE). The School District's MVAR (which is higher than the CARF) is 38.24%. The product of these two factors is approximately 5.66%, 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.

The School District estimates the 2026B Notes will not be subject to reimbursement by the Commonwealth.

To date, the CFA has issued \$1,903,065,000, 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, its Revenue Bonds, Series A of 2018 (Federally Taxable) in the total amount of \$412,520,000 issued on January 18, 2018, its Revenue Bonds (Federally Taxable), Series A of 2019 in the total amount of \$388,975,000 issued on May 9, 2019, as well as its Revenue Bonds (Federally Taxable), Series A of 2021 in the total amount of \$343,385,000 issued on June 23, 2021. 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.

Act 70 of 2019 was adopted by the State legislature that has modified the PlanCon process. The Act states that on July 1, 2020, a new PlanCon system will go online. However, the legislation does not include any funding nor does it state when the State would start to allow applicants to enter into the new program.

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 Notes.

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.

DEBT AND DEBT LIMITS

Debt Statement

Table 13 which follows shows the debt of the Downingtown Area School District following the issuance of the estimated Notes.

**TABLE 13
DOWNINGTOWN AREA SCHOOL DISTRICT
DEBT STATEMENT*
(As of April 6, 2026)**

NET NONELECTORAL DEBT	Gross Outstanding
General Obligation Notes, Series A of 2026 (last maturity 2040)	\$38,430,000**
General Obligation Notes, Series B of 2026 (last maturity 2047)	28,995,000**
General Obligation Note, Series C of 2011 (SPSBA - QSCB) (last maturity 2029)	2,939,000
General Obligation Note, Series A of 2010 (SPSBA - QSCB) (last maturity 2027)	3,329,765
TOTAL NONELECTORAL DEBT	<u><u>\$73,693,765</u></u>
LEASE RENTAL DEBT	
NET LEASE RENTAL DEBT	<u>\$0</u>
TOTAL NET NONELECTORAL AND LEASE RENTAL DEBT	<u><u>\$73,693,765</u></u>

*Includes the estimated Notes offered through this Preliminary Official Statement. Excludes the School Districts outstanding principal balance of the 2017 Bonds, 2018A Bonds and 2018C Bonds being refunded, as described herein.

Source: School District and the PA Department of Community and Economic Development – LGUDA Debt Reports.

**Preliminary, subject to change.

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Table 14 presents the overlapping indebtedness and debt ratios of the School District. After issuance of the estimated Notes, the principal of direct debt of the School District will total \$73,693,765 and after adjustment for available funds and estimated Commonwealth aid, the local effort of direct debt will total \$71,012,082.

TABLE 14
DOWNINGTOWN AREA SCHOOL DISTRICT
BONDED INDEBTEDNESS AND DEBT RATIOS*
(As of April 6, 2026)

	Gross Outstanding	Local Effort or Net of Available Funds and Estimated Commonwealth Aid⁽¹⁾
DIRECT DEBT		
Nonelectoral Debt	\$73,693,765	\$71,012,082
Lease Rental Debt	0	0
TOTAL DIRECT DEBT	<u>\$73,693,765</u>	<u>\$71,012,082</u>
OVERLAPPING DEBT		
Chester County, General Obligation ⁽²⁾	\$81,576,204	\$81,576,204
Municipal Debt	100,707,988	100,707,988
TOTAL OVERLAPPING DEBT	<u>\$182,284,192</u>	<u>\$182,284,192</u>
TOTAL DIRECT AND OVERLAPPING DEBT	<u>\$255,977,957</u>	<u>\$253,296,274</u>
DEBT RATIOS		
Net Direct Debt Per Capita (2020 Population).....	\$963.30	\$928.25
Net Direct Debt Percent 2024-25 Assessed Value	1.22%	1.18%
Net Direct Debt Percent 2024-25 Market Value	0.64%	0.61%
Net Direct and Overlapping Debt Per Capita (2020 Population).....	\$3,346.07	\$3,311.02
Net Direct and Overlapping Percent 2024-25 Assessed Value	4.24%	4.19%
Net Direct and Overlapping Percent 2024-25 Market Value.....	2.21%	2.19%

*Includes the estimated Notes offered through this Preliminary Official Statement. Excludes the School District’s outstanding principal balance of the 2017 Bonds, 2018A Bonds and 2018C Bonds being refunded, as described herein.

⁽¹⁾ Gives effect to current appropriations for payment of debt service and expected future Commonwealth Reimbursement of School District sinking fund payments based on current CARF. See “**TAXING POWERS OF THE SCHOOL DISTRICT – Commonwealth Aid to School Districts**”. The School District may, at any time, claim a credit against the gross principal of debt outstanding.

⁽²⁾ Pro rata 14.81 percent share of \$550,775,000 principal outstanding as of April 6, 2026.

Source: School District and the PA Department of Community and Economic Development – LGUDA Debt Reports.

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Debt Limit and Remaining Borrowing Capacity

The statutory borrowing limit of the School District under the 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 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 2022-23	\$259,602,743
Total Revenues for 2023-24	274,327,228
Total Revenues for 2024-25	285,561,832
Total	\$819,491,803
Annual Arithmetic average (Borrowing Base)	\$273,163,934

Under the 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:

	Legal Limit	Net Debt Outstanding*	Remaining Borrowing Capacity
Net Nonelectoral Debt:			
225% of Borrowing Base.....	\$614,618,852	\$73,693,765	\$540,925,087

*Includes the estimated Notes offered through this Preliminary Official Statement; does not reflect credits against gross indebtedness that may be claimed for a portion of principal of debt estimated to be reimbursed by Commonwealth Aid. Excludes the School District’s outstanding principal balance of the 2017 Bonds, 2018A Bonds and 2018C Bonds being refunded, as described herein.

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Debt Service Requirements

Table 15 presents the debt service requirements on the School District’s estimated outstanding general obligation indebtedness including debt service on the Notes.

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

**TABLE 15
DOWNTOWN AREA SCHOOL DISTRICT
DEBT SERVICE REQUIREMENTS***

<u>Year</u>	<u>Other General Obligation Debt</u>	<u>Principal</u>	<u>Series of 2026 Interest</u>	<u>Subtotal</u>
2025-26	\$8,002,872			
2026-27	2,447,747			
2027-28	2,423,690			
2028-29	734,750			
2029-30	734,750			
2030-31	0			
2031-32	0			
2032-33	0			
2033-34	0			
2034-35	0			
2035-36	0			
2036-37	0			
2037-38	0			
2038-39	0			
2039-40	0			
2040-41	0			
2041-42	0			
2042-43	0			
2043-44	0			
2044-45	0			
2045-46	0			
2046-47	0			
2047-48	0			
Total	\$14,343,810			

*Totals may not add due to rounding. Excludes the School District’s outstanding debt service of the 2017 Bonds, 2018A Bonds and 2018C Bonds being refunded, as described herein.

Future Financing

The School District does not anticipate issuing additional long-term debt within the next 1-2 years.

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

**TABLE 16
DOWNTOWN AREA SCHOOL DISTRICT
COVERAGE OF DEBT SERVICE AND LEASE RENTAL
REQUIREMENTS BY COMMONWEALTH AID***

2024-25 Commonwealth Aid Received.....	\$65,571,417
2024-25 Debt Service Requirements	\$9,221,057
Maximum Future Debt Service Requirements after Issuance of the Notes.....	
Coverage of 2024-25 Debt Service Requirements	7.11 times
Coverage of Maximum Future Debt Service Requirements after Issuance of the Notes	times

*Assumes current Commonwealth Aid Ratio. See “COMMONWEALTH AID TO SCHOOL DISTRICTS.”

LABOR RELATIONS

School District Employees

There are presently 1,862 employees of the School District, including 1,055 teachers, 117 administrators, and 690 support personnel.

The School District's teachers are represented by the Downingtown Area Education Association, which is affiliated with the Pennsylvania State Education Association covering the professional employees of the School District other than administrators, under a contract which expires August 31, 2030. The School District's support staff are represented by Teamsters 384, under a contract which expires June 30, 2027.

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 34.0% for the fiscal year 2025-26 and a rate of 33.6% for the fiscal year 2026-27.

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:

2020-21	\$35,676,553
2021-22	\$38,246,613
2022-23	\$40,564,580
2023-24	\$40,659,668
2024-25	\$42,460,811
2025-26 (budgeted)	\$44,013,384

At June 30, 2025, the School District reported a liability of \$314,581,752 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, 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, 2023 to June 30, 2024. 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, 2025, the School District's proportion as 0.7516% which was a decrease of 0.0001% from its proportion measured as of June 30, 2024.

As of June 30, 2025, the PSERS plan was 64.8% funded, with an unfunded actuarial accrued liability of approximately \$42.0 billion. PSERS' rate of return for fiscal year ended June 30, 2025 was 9.67%. The Fund had plan net assets of 83.7 billion at June 30, 2025. For more information, visit the PSERS website at www.psers.pa.gov, which is not incorporated by specific reference into this Preliminary Official Statement.

Source: School District Fiscal Year Ending June 30, 2025 Audited Financial Statements, and PSERS.

Other Post-Employment Benefits

The District's OPEB costs include benefits from both a Multiple Employer OPEB Plan as well as a Single Employer OPEB Plan.

The Multiple Employer OPEB Plan, known as the Health Insurance Premium Assistance Program, is provided by PSERS to all eligible retirees who qualify and elect to participate. At June 30, 2025, the District reported a liability of \$13,373,183 for its proportionate share of the net OPEB liability. The School District recognized OPEB expense of \$774,000 for the year ended June 30, 2025.

The Single Employer OPEB Plan, in accordance with the PA School Code of 1949, as amended, medical coverage is provided to eligible retirees and spouses with the retiree paying the full active premium rate for coverage until the age of 65. The District's total OPEB liability under the Single Employer OPEB Plan was \$16,548,975 measured as of June 30, 2025. The District recognized OPEB expense of \$1,514,712 for year ended June 30, 2025.

In June 2015, GASB issued GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans. GASB 75 establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2017.

For further information on the effects of GASB Statement No.75, the School District's OPEB and other vested employee benefits, including valuation and sick pay, see "Appendix D - Audited Financial Statement, Note 10".

BONDHOLDER CONSIDERATIONS

The Bonds, like all investment securities, carry a risk of loss of the investment, in whole or in part. This Official Statement does not purport to describe all of the risks of an investment in the Bonds; both the School District and the Underwriter disclaim any responsibility to advise prospective investors of such risks either as they may exist at the date of dissemination of this Official Statement or as they may appear or change from time to time in the future. Prospective purchasers of the Bonds should consult their own legal and tax advisors as to the risks associated with an investment in the Bonds, their ability to bear a loss from an investment in the Bonds and the suitability of investing in the Bonds, in light of their particular, individual circumstances. Prospective purchasers should carefully consider the matters described below, as well as all the information contained within this entire Official Statement inclusive of its Appendices.

Cybersecurity

The School District, like other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other electronic sensitive information, the School District may be the subject of cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized remote access to the School District's systems for the purposes of misappropriating assets or information or causing operational disruption or damage, or demanding ransom for restored access to files or information. The School District has never had a material cyber breach or a cyber breach that resulted in a financial loss. No

assurance can be given that the School District's current efforts to manage cyber threats and security will, in all cases, be successful. The School District cannot predict what future cyber security events may occur and what impact said events could have on its operations or finances. The School District maintains a Cyber Liability and Data Breach Response Policy that provides coverage for information security and privacy liability, regulatory defense, website media liability, cyber extortion, data restoration, network business interruption, fraudulent instruction, and electronic crime. The policy also includes separate breach-response services, including access to forensic, legal and crisis-management support, as well as notification services for affected individuals.

The School District relies on other entities and service providers in the course of operating the School District, including its accountants, attorneys, the trustee, and banks, as well as vendors with respect to outsourced critical digital network operations and functions. No assurance can be given that future cyber threats and attacks against other third party entities or service providers will not impact the School District, including the possibility of impacting the timely payments of debt service on the Bonds or timely filings pursuant to the Continuing Disclosure Undertaking.

Climate Change

Numerous scientific studies have detailed changing global weather patterns and the potential for increasing extreme weather events across the world. The School District cannot predict the timing, extent, or severity of climate change and its impact on its operations and finances. The School District has not experienced increases in extreme weather events, but has established reserves to address severe weather disasters and maintains a comprehensive insurance policy.

Risk of Audit by Internal Revenue Service

The Internal Revenue Service has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Internal Revenue Service, interest on such tax-exempt obligations is includible in the gross income of the owners thereof for federal income tax purposes. No assurances can be given as to whether or not the Internal Revenue Service will commence an audit of the Bonds. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the School District as the taxpayer and Bond purchasers may have no right to participate in such procedure. None of the School District, the Underwriter or Bond Counsel is obligated to defend the tax-exempt status of the Bonds on behalf of the Bond purchasers, nor to pay or reimburse the cost of any Bond purchaser with respect to any audit or litigation relating to the Bonds. See "TAX MATTERS" herein.

NO LITIGATION CERTIFICATE

At the time of settlement, the President or Vice-President of the Board of School Directors of the School District will deliver a certificate dated as of the date of delivery of and payment for the Notes, certifying that there is no litigation pending which challenges the validity or enforceability of the Notes and there is no litigation pending which would materially affect the School District's financial condition; or in the event that such litigation is pending, a description of the nature of such litigation, together with an opinion of legal counsel approved by the School District, to the effect that such litigation is without legal merit.

DEFAULTS AND REMEDIES

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

TAX MATTERS

In the opinion of Bond Counsel, interest on the Notes is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. However, interest on the Notes will not be excluded from "adjusted financial statement income" for certain corporations that are not excluded from the federal corporate alternative minimum tax. This opinion is subject to the condition that the School District comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code") that must be satisfied subsequent to the issuance of the Notes in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The School District has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Notes to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Notes.

Except as expressly stated above, Bond Counsel expresses no opinion regarding any other federal and state income tax consequences of acquiring, carrying, owning or disposing of the Notes. Owners of the Notes should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Notes, which may include original issue discount, original issue premium, and purchase at market discount or at a premium, taxation upon sale, redemption or other disposition and various withholding requirements.

Certain Notes may be offered at a discount ("original issue discount") equal generally to the difference between their public offering price and their principal amount. For federal income tax purposes, original issue discount on a Note accrues periodically over

the term of the Note as interest with the same tax exemption and alternative minimum tax status as regular interest. The accrual of original issue discount increases the holder's tax basis in the Note for determining taxable gain or loss from sale or from redemption prior to maturity. Holders should consult their tax advisers for an explanation of the accrual rules.

Certain Notes may be offered at a premium ("original issue premium") over their principal amount. For federal income tax purposes, original issue premium is amortizable periodically over the term of a Note through reductions in the holder's tax basis for the Note for determining taxable gain or loss upon sale or redemption prior to maturity. Amortization of premium does not create a deductible expense or loss. Holders should consult their tax advisors for an explanation of the amortization rules.

Bond Counsel is also of the opinion that, under the laws of the Commonwealth of Pennsylvania as enacted and construed on the date of initial delivery of the Notes, interest on the Notes is exempt from Pennsylvania personal income tax and corporate net income tax.

The opinions expressed by Bond Counsel above are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Notes, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

Legislative and regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Notes. Purchasers of the Notes should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation.

THE FOREGOING IS NOT INTENDED AS AN EXHAUSTIVE OR COMPLETE LIST OF THE PROVISIONS OF FEDERAL, STATE AND LOCAL TAX LAWS WHICH MAY HAVE AN EFFECT ON INDIVIDUALS AND CORPORATIONS HOLDING THE NOTES OR RECEIVING INTEREST THEREON. PROSPECTIVE PURCHASERS SHOULD CONSULT WITH THEIR OWN TAX ADVISORS REGARDING THE EFFECT ON THEIR FEDERAL, STATE OR LOCAL TAX LIABILITY AND GENERAL FINANCIAL AFFAIRS OF HOLDING THE NOTES OR RECEIVING INTEREST THEREON. ANY STATEMENTS REGARDING TAX MATTERS HEREIN CANNOT BE RELIED UPON BY ANY PERSON TO AVOID TAX PENALTIES.

CONTINUING DISCLOSURE UNDERTAKING

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

With respect to the filing of annual financial information and operating data, the School District reserves the right to modify from time to time the specific types of information and data 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 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.

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 Notes and shall be enforceable by the holder and beneficial owner of the Notes, but the right of the holders and beneficial owners of the Notes 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 Notes.

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 Notes or if and when the School District is no longer an "obligated person" with respect to the Notes, within the meaning of the Rule.

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

The School District has previously entered into Continuing Disclosure Certificates with respect to each one of its previously issued bond issues that are currently outstanding. The School District's filing history of its annual financial and operating information during the past five (5) years is outlined in the following table.

Fiscal Year	Filing	Filing Dates:		
		Audit	Operating Data	Budget
6/30/2025	12/27/2025	04/07/2026 ⁽¹⁾	12/23/2025	12/23/2025
6/30/2024	12/27/2024	04/09/2025 ⁽²⁾	12/18/2024	12/18/2024
6/30/2023	12/27/2023	12/26/2023	12/26/2023	12/26/2023
6/30/2022	12/27/2022	12/22/2022	12/22/2022	12/22/2022
6/30/2021	12/27/2021	12/17/2021	12/17/2021	12/17/2021

⁽¹⁾The School District filed its PDE-2057 Annual Financial Report as an interim filing, along with a "Failure to Timely File Notice" on December 23, 2025. The School District subsequently filed its audited financial statements, when they became available, to the EMMA platform on April 7, 2026.

⁽²⁾The School District filed its draft audited financial report as an interim filing, along with a "Failure to Timely File Notice" on December 18, 2024. The School District subsequently filed its audited financial statements, when they became available, to the EMMA platform on April 9, 2025.

The School District has reasonable procedures in place designed to ensure ongoing timely filings of its material continuing disclosure requirements.

UNDERWRITING

Raymond James & Associates, Inc. (the "Underwriter") has agreed, subject to certain conditions, to purchase the Notes from the School District, subject to certain conditions precedent, and will purchase all of the Notes if any of such Notes are purchased. The Notes will be purchased by the Underwriter for a purchase price of \$__, equal to the par value of the Notes less an underwriter's discount of \$__ plus/minus a net original issue premium/(discount) of \$__.

Raymond James & Associates, Inc. and its respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, Raymond James & Associates, Inc. and its respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). Raymond James & Associates, Inc. and its respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the School District. Raymond James & Associates, Inc. and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the School District. Raymond James & Associates, Inc. and its respective affiliates may make a market in credit default swaps with respect to municipal securities in the future.

RATING

Moody's Investors Service has assigned its underlying rating of "Aaa" to the School District. Such rating reflects only the view of such organizations. 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. There is no assurance that the credit rating will be maintained for any given period of time, or that it may not be lowered or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. Any such downward change in or withdrawal of such credit rating may have an adverse effect on the market price of the Notes.

The above rating is not a recommendation to buy, sell or hold the Notes, and such rating may be subject to revision or withdrawal at any time by the rating agency. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Notes.

LEGAL OPINION

The Notes 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 Lamb McErlane PC, of West Chester, Pennsylvania, Bond Counsel, to be furnished upon delivery of the Notes. Certain legal matters will be passed upon for the School District by Lamb McErlane PC, West Chester, Pennsylvania, School District Solicitor and for the Underwriter by McNeese Wallace & Nurick LLC, Lancaster, Pennsylvania, Limited Scope Underwriter's Counsel.

MUNICIPAL ADVISOR

The School District has retained PFM Financial Advisors LLC, Harrisburg, Pennsylvania, as municipal advisor (the "Municipal Advisor") in connection with the issuance of the Notes. The Municipal 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 Preliminary Official Statement. The Municipal Advisor 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 Preliminary Official Statement has been prepared under the direction of the School District by PFM Financial Advisors LLC, Harrisburg, Pennsylvania, in its capacity as Municipal Advisor to the School District. The information set forth in this Preliminary 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 Notes, 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 Municipal Advisor upon request. The information assembled in this Preliminary Official Statement is not to be construed as a contract with holders of the Notes.

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

DOWNINGTOWN AREA SCHOOL DISTRICT
Chester County, Pennsylvania

By: _____
President, Board of School Directors

APPENDIX A
DEMOGRAPHIC AND ECONOMIC INFORMATION
RELATING TO THE DOWNINGTOWN AREA SCHOOL DISTRICT

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Population

Table A-1 shows recent population trends for the School District, Chester County and the Commonwealth of Pennsylvania. The School District's population base has been growing at a moderate rate for the last ten years and the elements for continued growth have been provided by its location relative to urban areas while maintaining a country atmosphere. Shown in Table A-2 is Age Composition for the County and the Commonwealth.

**TABLE A-1
DOWNINGTOWN AREA SCHOOL DISTRICT
RECENT POPULATION TRENDS**

<u>Area</u>	<u>2010</u>	<u>2020</u>	Compound Average Annual Percentage Change <u>2010-2020</u>
School District	68,499	76,501	1.11%
Chester County	498,886	534,413	0.69%
Pennsylvania	12,702,379	13,002,700	0.23%

Source: U.S. Census Bureau - Decennial Census 2010 & 2020.

**TABLE A-2
AGE COMPOSITION**

<u>Area</u>	<u>0-19</u> <u>Years</u>	<u>20-64</u> <u>Years</u>	<u>65+</u> <u>Years</u>
Chester County.....	24.6%	56.7%	18.7%
Pennsylvania.....	16.5%	63.1%	20.4%

Source: U.S. Census Bureau – American Community Survey – 2024 1-Year Estimates.

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Employment

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

TABLE A-3
DISTRIBUTION OF EMPLOYMENT BY INDUSTRY
MONTGOMERY-BUCKS-CHESTER, PA METROPOLITAN DIVISION
NONFARM JOBS - NOT SEASONALLY ADJUSTED
December 2025

Establishment Data	Industry Employment				Net Change From:	
	Dec 2025	Nov 2025	Oct 2025	Dec 2024	Nov 2025	Dec 2024
TOTAL NONFARM	1,158,800	1,156,700	1,154,600	1,143,300	2,100	15,500
TOTAL PRIVATE	1,070,900	1,068,400	1,067,200	1,055,800	2,500	15,100
GOODS PRODUCING	145,000	145,600	146,000	146,300	-600	-1,300
Construction, Natural Resources, and Mining	55,300	56,300	56,700	57,100	-1,000	-1,800
Manufacturing	89,700	89,300	89,300	89,200	400	500
Durable Goods	45,500	45,500	45,600	45,000	0	500
Non-Durable Goods	44,200	43,800	43,700	44,200	400	0
Chemical Manufacturing	20,000	19,900	19,800	20,100	100	-100
SERVICE-PROVIDING	1,013,800	1,011,100	1,008,600	997,000	2,700	16,800
PRIVATE SERVICE-PROVIDING	925,900	922,800	921,200	909,500	3,100	16,400
Trade, Transportation, and Utilities	214,600	211,300	209,000	213,500	3,300	1,100
Wholesale Trade	60,200	59,700	60,100	59,900	500	300
Retail Trade	114,300	112,400	110,800	114,800	1,900	-500
General merchandise stores	20,100	19,700	19,100	20,600	400	-500
Transportation, Warehousing, and Utilities	40,100	39,200	38,100	38,800	900	1,300
Information	23,700	23,800	24,000	24,700	-100	-1,000
Financial Activities	91,400	90,900	90,900	89,700	500	1,700
Finance and insurance	76,500	76,100	76,100	75,100	400	1,400
Credit Intermediation and Related Activities	17,400	17,300	17,300	17,200	100	200
Depository Credit Intermediation	10,400	10,300	10,300	10,100	100	300
Insurance carriers and related activities	29,500	29,400	29,400	29,300	100	200
Real estate and rental and leasing	14,900	14,800	14,800	14,600	100	300
Professional and Business Services	218,600	219,300	219,900	214,900	-700	3,700
Professional and technical services	116,500	116,900	117,400	114,900	-400	1,600
Scientific research and development services	23,800	23,900	24,000	23,300	-100	500
Management of companies and enterprises	32,700	32,800	33,000	31,800	-100	900
Administrative and waste services	69,400	69,600	69,500	68,200	-200	1,200
Education and Health Services	236,300	236,500	235,200	227,000	-200	9,300
Educational services	32,200	32,700	32,300	30,900	-500	1,300
Health care and social assistance	204,100	203,800	202,900	196,100	300	8,000
Ambulatory health care services	77,600	77,600	77,400	73,700	0	3,900
Hospitals	32,400	32,300	32,200	31,900	100	500
Nursing and residential care facilities	37,400	37,300	37,100	36,400	100	1,000
Social assistance	56,700	56,600	56,200	54,100	100	2,600
Leisure and Hospitality	90,200	90,400	91,600	90,100	-200	100
Accommodation and food services	73,500	73,600	74,200	72,400	-100	1,100
Other Services	51,100	50,600	50,600	49,600	500	1,500
Government	87,900	88,300	87,400	87,500	-400	400
Federal Government	5,900	5,800	5,800	6,400	100	-500
State Government	11,200	11,200	11,200	11,000	0	200
Local Government	70,800	71,300	70,400	70,100	-500	700
Local Government educational services	49,900	50,400	49,500	49,500	-500	400
Local Government excluding educational services	20,900	20,900	20,900	20,600	0	300
Data benchmarked to March 2024	***Data changes of 100 may be due to rounding***					

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

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

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

<u>Area</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025⁽¹⁾</u>	Compound Average Annual % Rate⁽²⁾
Chester County							
Civilian Labor Force (000)	285.1	286.4	294.8	298.5	302.4	305.7	1.48%
Employment (000)	266.9	274.3	286.0	290.8	294.1	295.7	2.46%
Unemployment (000)	18.3	12.0	8.8	7.7	8.4	10.0	-17.69%
Unemployment Rate	6.4%	4.2%	3.0%	2.6%	2.8%	3.3%	
Pennsylvania							
Civilian Labor Force (000)	6,483.0	6,406.0	6,465.0	6,518.0	6,577.0	6,570.0	0.36%
Employment (000)	5,894.0	5,999.0	6,202.0	6,296.0	6,337.0	6,293.0	1.83%
Unemployment (000)	589.0	407.0	263.0	223.0	239.0	278.0	-20.19%
Unemployment Rate	9.1%	6.3%	4.1%	3.4%	3.6%	4.2%	

⁽¹⁾ As of December 2025.

⁽²⁾ Compound Average Annual Percentage Change calculated from 2020-2024

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

Largest County Employers

**CHESTER COUNTY
TOP 25 EMPLOYERS
3rd Quarter 2025**

(Federal and State Government Entities Aggregated)

1. The Vanguard Group Inc
2. The Chester County Hospital
3. Chester County
4. Main Line Hospitals Inc
5. Giant Food Stores LLC
6. Federal Government
7. PA State System of Higher Education
8. Downingtown Area School District
9. West Chester Area School District
10. Chester County Intermediate
11. QVC Network Inc
12. Wawa Inc
13. YMCA of Greater Brandywine
14. Janssen Research & Development LLC
15. Wal-Mart Associates Inc
16. Communications Test Design Inc
17. IQVIA Inc
18. State Government
19. The Arc of Chester County
20. Siemens Medical Solutions USA Inc
21. George Krapf Jr & Sons Inc
22. United Parcel Service Inc
23. Tredyffrin/Easttown School District
24. Wegmans Food Markets Inc
25. Comcast Cablevision Corp (PA)

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

Source: Pennsylvania Dept. of Labor & Industry – Center for Workforce Information & Analysis – 3rd Quarter, 2025.

Income

The data in Table A-5 show recent trends in per capita income for the School District, the County and the Commonwealth over the 2010-2020 period. Per capita income in the School District is higher than per capita income in the County and in the Commonwealth. Per capita income for the School District increased at a faster rate over this period than per capita income for the County and the Commonwealth.

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

<u>Area</u>	<u>2010</u>	<u>2020</u>	<u>Compound Annual Average Percentage Change 2010-2020</u>
School District.....	\$42,464	\$57,403	3.06%
Chester County.....	40,138	52,711	2.76%
Pennsylvania	26,374	35,518	3.02%

*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: U.S. Census Bureau – American Community Surveys 2010 & 2020 1-Year Estimates.

Commercial Activity

Commercial activity within the School District tends to be centered in the Borough of Downingtown and East Caln Township and in various shopping centers along State Routes 100 and 113, located in Uwchlan Township. Brandywine Square and Ashbridge Square are shopping malls which are located in East Caln Township at the junction of Business Route 30 and the Route 30 Bypass, adjacent to each other and contain many major anchor stores.

The Borough of Downingtown was the first community in Chester County to start and complete an Urban Renewal Project in its downtown business district. Jefferson Center, located on a ten acre site in the center of the Borough, is a shopping and business center within easy walking distance to all areas of the Borough. The project was constructed by a private developer in conjunction with the Chester County Redevelopment Authority and the Borough of Downingtown.

The data in Table A-6 shows estimated retail sales for the 2021-2025 period for the County, the MSA and the Commonwealth.

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

<u>Area</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Chester County.....	\$16,689,538	\$20,551,778	\$19,467,582	\$19,141,485	\$24,027,133
MSA.....	117,611,765	129,095,108	138,955,072	135,906,640	173,872,719
Pennsylvania	274,685,600	297,770,326	310,912,244	317,239,286	403,629,014

Source: Claritas, LLC.

Housing

According to the Chester County Planning Commission, Chester County’s housing market shows median home sale prices of \$525,000 in 2024, the highest in County history, with 5,612 total home sales in 2024 according to the Chester County Planning Commission. The median sales price for new housing units was \$589,901 in 2024. Chester County’s median home sale price remains significantly greater than those of Pennsylvania and the United States.

In 2024, a total of 1,630 new housing units were added to the housing supply in Chester County, with single-family detached homes, single-family attached homes (including twins, townhouses, and condominiums), and multi-family units contributing to the total construction figure. This reflects the continued production of new housing within the County. From 2005 through 2014, a total of 19,645 new housing units were added in the county compared to 18,597 new housing units added from 2015 through 2024.

Source: Chester County Planning Commission - www.chescoplanning.org

Medical Facilities

The main hospitals that serve Downingtown Area School District residents include Phoenixville Hospital in Phoenixville, Paoli Hospital in Paoli, Chester County Hospital in West Chester, and Jennersville Regional Hospital in West Grove. There are also additional facilities in the broader region such as Coatesville VA Medical Center in Coatesville, and Main Line Health Bryn Mawr Rehabilitation Hospital in Malvern, which function as specialized or affiliated care centers. Notably, Brandywine Hospital in Coatesville has closed, so it is no longer an active inpatient facility serving this area. None of these hospitals are located within the Downingtown Area School District boundaries itself.

Utilities

Sewer

Residents of Uwchlan Township, East Caln Township and Downingtown Borough are served by the Downingtown Regional Wastewater Treatment System. All other townships are served by on-site systems or developer-owned systems except for the Marsh Creek State Park which has a sewer service agreement with the Borough of Downingtown.

Water

The Downingtown Municipal Water Authority maintains its own water system which serves all areas of the Borough and certain sections of East Caln, East Brandywine and Uwchlan Townships. Aqua America Water Company supplies water to all other developed portions of Uwchlan, Upper Uwchlan and East Caln Townships. Other private water companies supply water service to developed portions of the other Townships. Other residents of the area are served by on-site wells.

Electricity and Gas

PECO Energy Company provides both electricity and natural gas to users within the School District.

Municipal Services

All Townships and the Borough have police protection from either the state police or local police departments. The Embreeville State Police barracks is located in the School District. All communities support local volunteer fire companies.

Transportation

The School District's economic position has been bolstered by a well-developed network of federal and state highways. The School District is served by the Downingtown/West Chester Interchange (Exit 312) of the Pennsylvania Turnpike, which provides access to the western suburbs of the Philadelphia metropolitan area. The Pennsylvania Turnpike (Interstate 76) serves as a link to Pittsburgh, Philadelphia, and the New Jersey Turnpike. Other U.S. highways serving the School District include U.S. Route 30, which crosses the area in an east-west direction connecting the area with Lancaster via Coatesville to the west and Philadelphia via Exton and Paoli to the east, and U.S. Route 322, which crosses the area in a northwest-southeast direction and connects the area with Wilmington, Delaware via West Chester to the southeast. State Routes 82, 100, 113, 282, and 401 also cross the School District.

Passenger railroad services are provided by Amtrak, in conjunction with the Southeastern Pennsylvania Transportation Authority (SEPTA). Freight railroad service is provided by Norfolk Southern Railway, with two lines that interconnect in the Borough of Downingtown.

Motor freight service is supplied to the area by numerous interstate and intrastate carriers.

Bus service is provided by the Southeastern Pennsylvania Transportation Authority and by the Greyhound Bus System.

Recreation and Tourism

School District residents have access to a variety of recreational facilities through public, private, and quasi-public agencies.

Marsh Creek State Park, located in Upper Uwchlan Township, approximately five miles north of the Borough of Downingtown, is maintained by the Commonwealth of Pennsylvania. The park consists of a 535-acre lake and approximately 1,700 acres of land and provides facilities including boating, fishing, picnic groves, hiking trails, equestrian facilities, and a swimming pool.

The Borough of Downingtown, Uwchlan Township, and other municipalities provide recreational parks. Whitford Country Club, a private club partially located in East Caln Township, maintains an 18-hole golf course, platform tennis, and swimming facilities for its members. Pennypacker Swim Club in Uwchlan Township provides tennis and swimming facilities for its members, and St. Anthony's Lodge in the Borough of Downingtown provides swimming facilities for its members. The Upper Main Line YMCA (formerly the Western Lionville YMCA) is located in Uwchlan Township.

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APPENDIX B
PROPOSED FORM OF BOND COUNSEL OPINION

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[Proposed Form of Bond Counsel Opinion]

_____, 2026

Downingtown Area School District
Downingtown, PA

Re: **Downingtown Area School District**
\$ _____ General Obligation Notes, Series A of 2026
\$ _____ General Obligation Notes, Series B of 2026

You have requested our opinion as to the legality of the above general obligation notes (the "Notes"). The Notes are issued by the Downingtown Area School District, Chester County, Pennsylvania (the "School District"), under the provisions of the Pennsylvania Local Government Unit Debt Act, as amended (the "Act"), and pursuant to a Resolution adopted by the Board of Directors of the School District on January 11, 2026 (the "Resolution"). The Notes are being issued in two series. The Series A of 2026 Notes are being issued for the purpose of providing funds to (1) refund all or a portion of the School District's outstanding General Obligation Bonds, Series of 2017; (2) refund all or a portion of the School District's General Obligation Bonds, Series A of 2018; (3) refund all or a portion of the School District's outstanding General Obligation Bonds, Series C of 2018 and (4) pay the costs incurred by the School District in connection with the issuance of the costs of the 2026A Notes. The Series B of 2026 Notes are being issued for the purpose of providing funds to (1) fund certain capital projects to include reimbursement to the School District for all or a portion of the costs of renovation and addition projects at Beaver Creek Elementary School and West Bradford Elementary School, as well as to pay the costs of renovations, additions and equipment for various School District facilities and (2) to pay the costs incurred by the School District in connection with the issuance of the 2026B Notes.

The School District has covenanted in the Resolution (i) to include the amount of debt service for the Notes for each fiscal year in which such sums are due and payable in its budget for that 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 its sinking fund or any other of its revenues or funds, the principal or redemption price of, and interest on, the Notes at the dates and places and in the manner stated in the Notes, according to the true intent and meaning thereof. For such budgeting, appropriation and payment, the School District has pledged its full faith, credit and taxing power in the Resolution.

As Bond Counsel for the School District, we have examined the relevant provisions of the Constitution of the Commonwealth of Pennsylvania; the Acts of Assembly pursuant to which the Notes are authorized, issued and sold; the transcript of proceedings filed with the Pennsylvania Department of Community and Economic Development (the "Department"); and certain statements, affidavits and other documents which we have considered pertinent.

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

1. The School District is authorized under the provisions of the Constitution and laws of the Commonwealth of Pennsylvania to issue the Notes for the purposes above set forth, and the School District has authorized the issuance thereof.

2. As indicated in the School District's debt statement filed with the Department in connection with the issuance of the Notes, outstanding debt of the School District, including debt represented by the Notes, is within the debt limitations of the Act.

3. The Notes are the valid and binding general obligations of the School District payable from the revenues of the School District from whatever source derived, which revenues, at the time of the issuance and sale of the Notes, include *ad valorem* taxes levied upon all the taxable property within the School District within the limits prescribed by law.

4. Under the laws of the Commonwealth of Pennsylvania, as currently enacted and construed, the Notes are exempt from personal property taxes in Pennsylvania, and interest on the Notes is exempt from Pennsylvania personal income tax and corporate net income tax.

5. Interest on the Notes is excludable from gross income for Federal income tax purposes under existing laws as enacted and construed on the date of initial delivery of the Notes. Interest on the Notes is not treated as an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, such interest will not be excluded from "annual adjusted financial statement income" for certain corporations that are not excluded from the federal corporate alternative minimum tax (as defined in the Internal Revenue Code of 1986, as amended (the "Code")). The opinions set forth in this paragraph are subject to the condition that the School District complies with all requirements of the Code that must be satisfied subsequent to the issuance of the Notes in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The School District has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Notes to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Notes.

In providing this opinion, we advise you as follows:

(a) Except as expressly stated above, we express no opinion regarding any other federal or state income tax consequences of acquiring, carrying, owning or disposing of the Notes. Owners of the Notes should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Notes, which may include original issue premium and purchase at a market discount or at a premium, taxation upon sale, redemption or other disposition, and various withholding requirements.

(b) The enforceability (but not the validity) of the documents mentioned herein may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter enacted by any state or the federal government affecting the enforcement of creditors' rights generally, and "enforceable in accordance with its (their) terms" shall not mean that specific performance would necessarily be available as a remedy in every situation.

(c) We express no opinion herein with respect to the adequacy of the security or sources of payment for the Notes or the accuracy or adequacy of any description of the School District or its facilities contained in any offering document used in connection with the sale of the Notes.

Lamb McErlane PC

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APPENDIX C
CONTINUING DISCLOSURE AGREEMENT

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DOWNTOWN AREA SCHOOL DISTRICT
Chester County, Pennsylvania

\$ _____ **General Obligation Notes, Series A of 2026**
\$ _____ **General Obligation Notes, Series B of 2026**

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is executed and delivered by the Downingtown Area School District, Chester County, Pennsylvania (the “Issuer”) in connection with the issuance of its \$ _____ aggregate principal General Obligation Notes, Series A of 2026 and \$ _____ aggregate principal General Obligation Notes, Series B of 2026 (Series A and B of 2026, collectively, the “Notes”). The Notes are being issued pursuant to a resolution duly adopted by the Board of School Directors on January 11, 2026 (the “Resolution”).

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Issuer for the benefit of the Owners and Beneficial Owners of the Notes and in order to assist the Participating Underwriters in complying with S.E.C. 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 Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Notes (including persons holding Notes through nominees, depositories or other intermediaries) or (b) is treated as the owner of any Notes for federal income tax purposes.

“Dissemination Agent” shall mean the Issuer, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

“EMMA System” shall mean the MSRB’s Electronic Municipal Market Access system, or such other electronic system designated by the MSRB.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“Owner” shall mean a registered owner of the Notes.

“Participating Underwriter” shall mean any of the original underwriters of the Notes required to comply with the Rule in connection with offering of the Notes.

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

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than April 1st of each calendar year, commencing with April 1, 2027, provide to the MSRB through the EMMA System an Annual Report, which is consistent with the requirements of Section 4 of this Disclosure Agreement, provided, however, that, to any extent that the Issuer has outstanding bonds or notes which are subject to a continuing disclosure undertaking requiring an earlier disclosure date than April 1st, until all such outstanding bonds or notes have been redeemed or have matured, the Issuer shall provide the Annual Report to the Dissemination Agent on the earlier of the two dates. The 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 Section 4 of this Disclosure Agreement; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Issuer’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b).

(b) Not later than fifteen (15) Business Days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent (if other than the Issuer). If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall send a notice to that effect to the MSRB through the EMMA System.

(c) The Dissemination Agent shall:

(1) Determine each year prior to the date for providing the Annual Report the current electronic format of the MSRB for such filing; and

(2) if the Dissemination Agent is other than the Issuer, file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided.

SECTION 4. Content of Annual Reports. The Issuer’s Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the Issuer for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting

Standards Board. If the Issuer's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Remarketing Memorandum, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available; and

(b) The additional items listed in Exhibit A hereto.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Notes:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) 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 Notes, or other material events affecting the tax-exempt status of the Notes;
- (7) modifications to rights of Owners or Beneficial Owners of the Notes, if material;
- (8) bond or note calls (other than mandatory sinking fund redemptions), if material, and tender offers;
- (9) defeasances;

- (10) release, substitution, or sale of property securing repayment of the Notes, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the School District;
- (13) 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
- (14) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) incurrence of a Financial Obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect holders of the Notes, if material; and
- (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer or obligated person, any of which reflect financial difficulties.

(b) The Issuer shall in a timely manner, not in excess of ten days after the occurrence of the event, file a notice of such occurrence with the MSRB through the EMMA System. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of affected Notes pursuant to the Resolution.

SECTION 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Notes. If such termination occurs prior to the final maturity of the Notes, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Agreement.

SECTION 8. Amendment, Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Notes, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waivers would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Notes, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (1) is approved by the Owners or Beneficial Owners of the Notes in the same manner as provided in the Resolution for amendments to the Resolution with the consent of Owners, or (2) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Notes.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (1) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (2) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Notwithstanding any other provisions of this Disclosure Agreement, any filing required by this Disclosure Agreement may be made with such repositories and using such electronic filing systems as may be approved by the Securities and Exchange Commission and/or the MSRB.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure

Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Agreement, any Owner or Beneficial Owner of the Notes may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Agreement in the event of any failure of the Issuer to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Notes.

SECTION 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriters, Owners and Beneficial Owners from time to time of the Notes, and shall create no rights in any other person or entity.

Dated as of _____, 2026.

DOWNTOWN AREA SCHOOL DISTRICT

BY: _____
President

Attest:

Secretary

(SEAL)

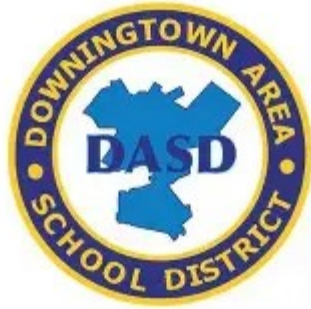
EXHIBIT A

Additional Items for Annual Report

- A copy (or summary of) the budget for the current fiscal year.
- The total assessed value and market value of all taxable real estate for the current fiscal year.
- The taxes and millage rates imposed for the current fiscal year.
- The real property tax collection results for the most recent fiscal year, including (1) the real estate levy imposed (expressed both as a millage rate and an aggregate dollar amount), (2) the dollar amount of real estate taxes collected that represented current collections (expressed both as a percentage of such fiscal year's levy and as an aggregate dollar amount), and (3) the total amount of real estate taxes collected (expressed both as a percentage of the current year's levy and as an aggregate dollar amount).
- A list of the ten (10) largest real estate taxpayers and, for each, the total assessed value of real estate for the current fiscal year.

APPENDIX D
AUDITED FINANCIAL STATEMENTS

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**DOWNINGTOWN AREA SCHOOL DISTRICT
DOWNINGTOWN, PENNSYLVANIA
CHESTER COUNTY**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2025



CPAs | CONSULTANTS | WEALTH ADVISORS

CLAconnect.com

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INDEPENDENT AUDITORS' REPORT

Board of School Directors
Downingtown Area School District
Downingtown, Pennsylvania

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Downingtown Area School District, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Downingtown Area School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 Downingtown Area School District, as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Downingtown Area School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Downingtown Area School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Downingtown Area School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Downingtown Area School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal-control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison – General Fund, the schedules of the District's proportionate share of the net pension liability - PSERS and pension plan contributions - PSERS, schedule of changes in OPEB liability single employer plan, and the schedules of the District's proportionate share of the net OPEB liability - PSERS and OPEB plan contributions - PSERS as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

Supplementary Information

Our audit for the year ended June 30, 2025 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Downingtown Area School District's basic financial statements. The combining financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* for the year ended June 30, 2025 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended June 30, 2025 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 GAAS. In our opinion, the combining financial statements and the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended June 30, 2025.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the borrowing base calculation and the comparative General Fund schedules but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

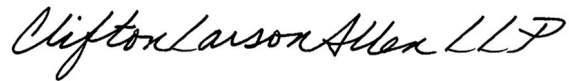
In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Summarized Comparative Information

The Downingtown Area School District's 2024 financial statements were audited by other auditors, and they expressed unmodified audit opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information in their report dated March 31, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2026, on our consideration of Downingtown Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Downingtown Area School District's 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 Downingtown Area School District's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

King of Prussia, Pennsylvania
March 30, 2026

**DOWNINGTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
YEAR ENDED JUNE 30, 2025**

Management's discussion and analysis (the MD&A) of Downingtown Area School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2025. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the financial statements, notes to the financial statements, and supplemental information in this report.

FINANCIAL HIGHLIGHTS

- The total governmental funds net change in fund balance for the fiscal year ended June 30, 2025 was a decrease of \$45,351,832. This includes a \$1,838,110 decrease in the General Fund due to operating expenditures exceeding revenues, a \$46,992,639 decrease in the Capital Projects Fund primarily due to the planned use of fund balance for construction projects, and a \$3,478,917 increase in the Debt Service Fund due to investment income on sinking fund balances.
- The General Fund includes total revenue and other financing sources of \$288,838,089 less total expenses and other financing uses of \$290,676,199, which includes a \$8,337,326 transfer to the Capital Projects Fund to fund non-construction capital expenses.
- The Capital Projects Fund includes \$58,165,301 of expenses for construction projects on existing buildings and other non-construction capital expenses. These expenses were partially offset by a \$8,337,326 transfer from the General Fund, \$1,302,696 in State Grants and \$1,532,640 of investment earnings and other financing sources.
- The Debt Service Fund includes \$3,478,917 of investment earnings.
- As of June 30, 2025, the District's governmental funds reported a combined fund balance of \$74,414,240. This includes \$21,121,470 in the General Fund, \$22,255,409 in the Capital Projects Fund, and \$31,037,361 in the Debt Service Fund. The entire fund balance in the Debt Service Fund is held in an escrow account for the retirement of bonds and is not available for use by the District.
- General Fund revenues from local sources increased a total of \$6,781,551 over the prior year primarily due to a 3.90% increase in the millage rate and growth in taxable properties in the District. Investment income also contributed to the local source revenue increase due to higher interest rates compared to the prior year.
- General Fund revenue from state sources increased \$4,057,759 over the prior year. This includes a combined increase of \$1,926,475 in basic education, special education, cyber charter, and transportation subsidies. An increase in homestead credit allocation funding of \$1,054,497, and PSERS and Social Security reimbursements of \$959,559 also contributed to the overall state source increase.
- General Fund revenue from federal sources decreased \$311,146 over the prior year. This was primarily due to Elementary and Secondary School Emergency Relief relief funding ending in the prior year and not being available for 2024-2025.

**DOWNINGTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
YEAR ENDED JUNE 30, 2025**

- General Fund expenditures, excluding other financing uses, had a net increase of \$17,136,114 over the prior year primarily due to increases in employee wages, special education services, facility operating and maintenance costs, and student transportation costs. Other financing uses decreased \$2,291,712 due to a lower transfer to the Capital Projects Fund compared to the prior year.
- On a government-wide basis, including all governmental activities and business-type activities, the assets and deferred outflows of resources exceeded the liabilities and deferred inflows of resources of the District resulting in a net position of \$68,515,770 as of June 30, 2025. During the 2024-2025 fiscal year the District had a decrease in total net position of \$1,814,159. The net position of governmental activities decreased by \$2,506,563 due to operating revenue exceeding operating expenses. The net position of the business-type activities increased by \$692,404 due to the profit from the District's food service operations.

OVERVIEW OF FINANCIAL STATEMENTS

The MD&A is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The first two statements are government-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 government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

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

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, changes in the District's property tax base should also be considered.

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

- **Governmental Activities** - All of the District's basic services are included here, such as instruction, administration and community services. Property taxes and state and federal subsidies and grants finance most of these activities.
- **Business-Type Activities** - The District operates a food service operation and charges fees to staff and students to cover the costs of the food service operation.

**DOWNINGTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
YEAR ENDED JUNE 30, 2025**

Fund Financial Statements

The remaining statements are fund financial statements that focus on individual parts of the District's operations in more detail than the government-wide statements. The governmental funds statements tell how the District's operations were financed in the short term as well as what remains for future spending. Proprietary fund statements offer short and long-term financial information about the activities that the District operates like a business. For the District, this represents our Food Service Fund. Fiduciary fund statements provide information about financial relationships where 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. Governmental funds are reported using an accounting method called modified accrual accounting, 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, or where there is 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 are generally 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 government-wide statements.
- Fiduciary Funds – The District is the trustee, or fiduciary, for assets that belong to others, such as scholarship funds or student activity funds. These assets are not reflected in the government-wide financial statements because the District cannot use these assets to finance its operations.
- Notes to the Financial Statements – The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.
- Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which consists of the budgetary comparison schedule for the General Fund, schedules of the District's proportionate share of the net pension liability-PSERS and pension plan contributions-PSERS, schedule of changes in OPEB liability single-employer plan, and the schedules of the District's proportionate share of the net OPEB liability-PSERS and OPEB plan contributions-PSERS, as well as additional analysis which consists of combining and individual fund financial statements and comparative General Fund schedules.

**DOWNINGTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
YEAR ENDED JUNE 30, 2025**

FINANCIAL ANALYSIS OF THE DISTRICT – GOVERNMENT-WIDE STATEMENTS

As noted above, net position may serve over time as a useful indicator of the District's financial condition. At the close of the 2024-2025 fiscal year, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$68,515,770. The following table presents condensed information for the Statement of Net Position of the District at June 30, 2025 and 2024.

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Assets						
Current assets	\$ 125,431,814	\$ 173,619,724	\$ 5,250,891	\$ 5,801,548	\$ 130,682,705	\$ 179,421,272
Capital assets	388,055,176	347,227,110	2,317,215	1,096,036	390,372,391	348,323,146
Total assets	513,486,990	520,846,834	7,568,106	6,897,584	521,055,096	527,744,418
Deferred outflows of resources	55,940,912	67,480,207	41,497	70,657	55,982,409	67,550,864
Liabilities						
Current liabilities	64,109,831	57,394,515	941,826	858,863	65,051,657	58,253,378
Noncurrent liabilities	429,374,015	451,546,025	261,401	392,838	429,635,416	451,938,863
Total liabilities	493,483,846	508,940,540	1,203,227	1,251,701	494,687,073	510,192,241
Deferred inflows of resources	13,828,642	14,764,524	6,020	8,588	13,834,662	14,773,112
Net position						
Net investment in capital assets	300,303,939	255,139,273	2,317,215	1,096,036	302,621,154	256,235,309
Restricted for debt service	31,037,361	27,558,444	-	-	31,037,361	27,558,444
Unrestricted (deficit)	(269,225,886)	(218,075,740)	4,083,141	4,611,916	(265,142,745)	(213,463,824)
Total net position	\$ 62,115,414	\$ 64,621,977	\$ 6,400,356	\$ 5,707,952	\$ 68,515,770	\$ 70,329,929

The District's total assets as of June 30, 2025 were \$521,055,096 of which \$84,240,960 or 16.17% consisted of unrestricted cash and investments and \$390,372,391 or 74.92% consisted of the District's capital assets, net of depreciation. The District's total liabilities as of June 30, 2025 were \$494,687,073 of which \$87,751,237 or 17.74% consisted of general obligation debt used to acquire and construct capital assets and \$314,581,752 or 63.59% consisted of the actuarially determined net pension liability.

The District had a deficit in unrestricted net position of \$265,142,745 at June 30, 2025 which is primarily due to the recognition of the District's PSERS net pension and OPEB liabilities. However, the total net position is a positive \$68,515,770 due to the District's cash balance and investment in capital assets.

The District's net position invested in capital assets net of related outstanding debt used to acquire those assets, was \$302,621,154 as of June 30, 2025. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. For the year ended June 30, 2025, the District's net investment in capital assets increased by \$46,385,845 primarily due to funding capital expenditures with other funding sources other than long-term debt.

**DOWNINGTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
YEAR ENDED JUNE 30, 2025**

The following table presents condensed information for the Statement of Activities of the District for 2025 and 2024. The increase in total expenses from 2024 to 2025 was driven primarily by increases in salary and benefit costs, special education services, facility operating and maintenance costs, and student transportation costs. The total increase in revenue from 2024 to 2025 was primarily driven by increases in property tax revenue.

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues						
Program services						
Charges for services	\$ 2,842,992	\$ 2,426,761	\$ 3,619,387	\$ 3,609,941	\$ 6,462,379	\$ 6,036,702
Operating grants and contributions	50,065,141	48,340,314	1,779,040	1,876,919	51,844,181	50,217,233
Capital grants and contributions	1,335,696	77,840	607,483	-	1,943,179	77,840
General revenues						
Property taxes	179,071,727	171,482,770	-	-	179,071,727	171,482,770
Other taxes	27,905,986	27,697,995	-	-	27,905,986	27,697,995
Grants, subsidies and contributions not restricted	25,288,767	23,534,996	-	-	25,288,767	23,534,996
Investment earnings (loss)	8,424,047	11,225,531	228,126	246,945	8,652,173	11,472,476
Miscellaneous revenue	320,855	268,340	-	-	320,855	268,340
Gain (loss) on sale of capital assets	421,786	342,808	(10,812)	103	410,974	342,911
Total revenues	<u>295,676,997</u>	<u>285,397,355</u>	<u>6,223,224</u>	<u>5,733,908</u>	<u>301,900,221</u>	<u>291,131,263</u>
Expenses						
Instruction	184,192,655	175,807,240	-	-	184,192,655	175,807,240
Instructional student support	25,597,243	26,463,134	-	-	25,597,243	26,463,134
Administrative and financial support	23,679,606	23,422,022	-	-	23,679,606	23,422,022
Operation and maintenance of plant services	21,071,953	18,862,396	-	-	21,071,953	18,862,396
Pupil transportation	16,290,973	14,408,198	-	-	16,290,973	14,408,198
Student activities	4,853,357	4,610,828	-	-	4,853,357	4,610,828
Community services	95,610	62,165	-	-	95,610	62,165
Interest and amortization expense related to noncurrent liabilities	4,847,299	4,839,969	-	-	4,847,299	4,839,969
Unallocated depreciation expense	17,343,709	15,737,231	-	-	17,343,709	15,737,231
Food services	-	-	5,741,975	5,492,511	5,741,975	5,492,511
Total expenses	<u>297,972,405</u>	<u>284,213,183</u>	<u>5,741,975</u>	<u>5,492,511</u>	<u>303,714,380</u>	<u>289,705,694</u>
Change in net position before transfers	(2,295,408)	1,184,172	481,249	241,397	(1,814,159)	1,425,569
Transfers	(211,155)	(133,804)	211,155	133,804	-	-
Change in net position	<u>\$ (2,506,563)</u>	<u>\$ 1,050,368</u>	<u>\$ 692,404</u>	<u>\$ 375,201</u>	<u>\$ (1,814,159)</u>	<u>\$ 1,425,569</u>

**DOWNTOWNTOWN AREA SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS – UNAUDITED
YEAR ENDED JUNE 30, 2025**

FINANCIAL ANALYSIS OF THE DISTRICT – GOVERNMENTAL FUNDS

GENERAL FUND

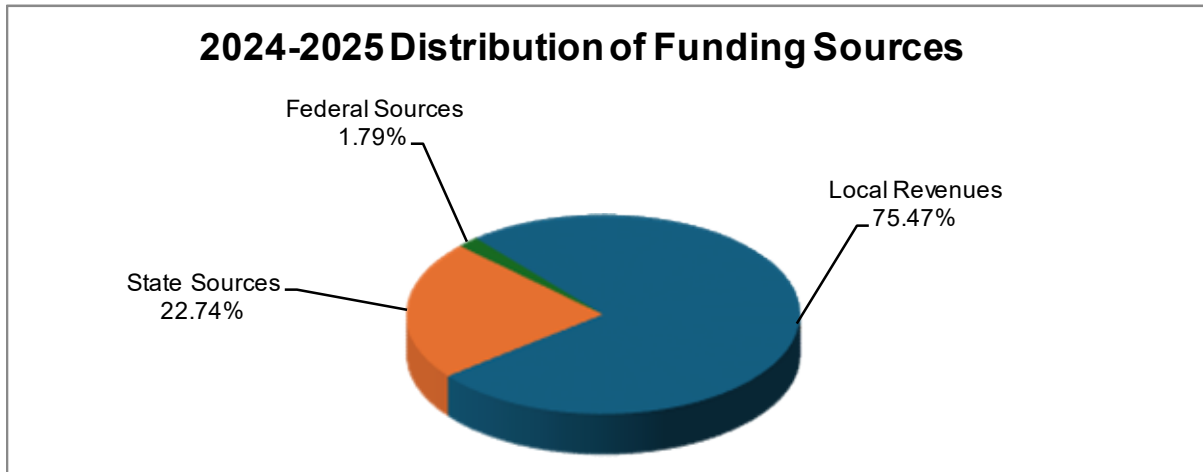
The General Fund is the District’s primary operating fund. At the conclusion of the 2024-2025 fiscal year, the General Fund fund balance was \$21,121,470 representing a decrease of \$1,838,110 from the prior year. The decrease in the District’s General Fund fund balance is a result of revenues over expenditures of \$6,185,305, reduced by other net financing uses of \$8,023,415, primarily for transfers to the Capital Projects Fund. The following analysis has been provided to assist the reader in understanding the financial activities of the General Fund during the 2024-2025 fiscal year.

At June 30, 2025, the District reported an unassigned fund balance of \$20,910,378. The unassigned fund balance represents about 6.96% of the 2025-2026 General Fund budgeted expenditures which is in accordance with guidelines prescribed by the Pennsylvania Department of Education.

General Fund Revenues

General Fund revenues, which totaled \$288,313,023, increased \$10,528,164 or 3.79% over prior year revenues. The following table reflects a comparison of current year revenues to prior year revenues and 2024-2025 budgeted amounts as follows:

	<u>Revenue 2025</u>	<u>% of Total</u>	<u>Increase (Decrease) From 2024</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Local sources	\$ 217,587,963	75.47%	\$ 6,781,551	\$ (1,361,250)
State sources	65,571,417	22.74%	4,057,759	1,468,217
Federal sources	5,153,643	1.79%	(311,146)	1,866,966
Total revenues	<u>\$ 288,313,023</u>	<u>100.00%</u>	<u>\$ 10,528,164</u>	<u>\$ 1,973,933</u>



**DOWNINGTOWN AREA SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS – UNAUDITED
YEAR ENDED JUNE 30, 2025**

Revenue from local sources primarily includes revenue from real estate taxes levied by the District. The increase in current real estate taxes was \$6,853,735 over the prior year, primarily due to a 3.90% increase in the real estate tax millage rate plus growth in new assessed property values in the District. All other local revenue sources combined slightly offset the current real estate tax increase by \$72,184. The state source revenue increase over the prior year is primarily due to a combined increase of \$1,926,475 in basic education, special education, cyber chart, and transportation. An increase in homestead credit allocation funding of \$1,054,497 and PSERS and social security reimbursements of \$959,559 also contributed to the overall state source increase. Federal source revenue decreased due to ESSER relief funding ending in the prior year and not being available for 2024-2025.

Local source revenue was lower than budget due to lower than budgeted property tax revenue from lower than anticipated assessment growth. State source revenue was favorable compared to budget due to higher than expected state funding for basic and special education. The Federal revenue was favorable compared to budget due to higher special education Medical ACCESS reimbursements than anticipated.

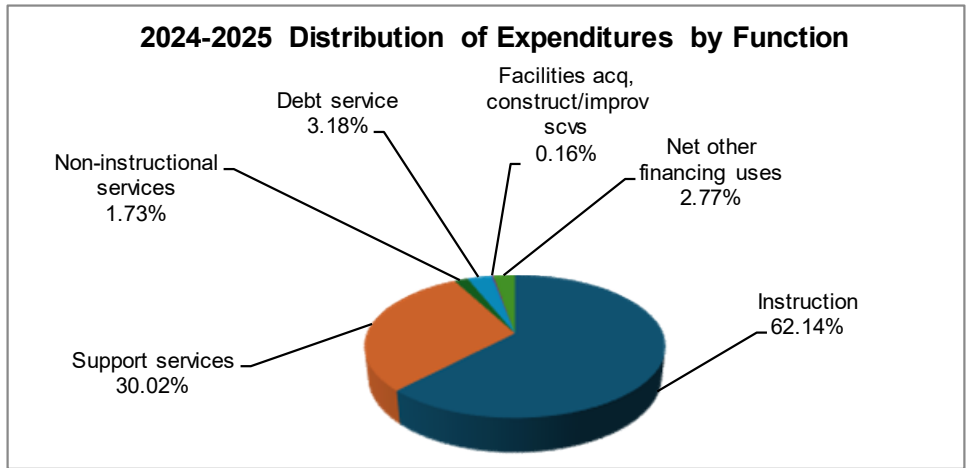
General Fund Expenditures and Other Financing Uses

General Fund expenditures including net other financing uses, which totaled \$290,151,133, increased \$14,844,402 over the 2023-2024 expenditures primarily due to higher salary and benefit costs, along with increased contracted costs for special education, transportation and maintenance. These increases also caused total expenditures including net other financing uses to be greater than the budget by \$3,390,607.

The expenditures are segregated into the functional categories shown in the chart below. The expenditures for each function are compared to the prior year expenditures, and the 2024-2025 final budget amounts as follows:

	<u>Expenditures 2025</u>	<u>% of Total</u>	<u>Increase (Decrease) From 2024</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Instruction	\$ 180,302,192	62.14%	\$ 10,264,411	\$ (6,397,345)
Support services	87,112,008	30.02%	6,258,885	(4,976,796)
Noninstructional services	5,021,133	1.73%	477,272	(101,652)
Facilities acq, construct/improv scvs	471,328	0.16%	206,712	33,672
Debt service	9,221,057	3.18%	(71,166)	640,621
Net other financing uses	8,023,415	2.77%	(2,291,712)	7,410,893
Total expenditures	<u>\$ 290,151,133</u>	<u>100.00%</u>	<u>\$ 14,844,402</u>	<u>\$ (3,390,607)</u>

**DOWNINGTOWN AREA SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS – UNAUDITED
YEAR ENDED JUNE 30, 2025**



The increase in the instruction, support services, and noninstructional services expenses over the prior year is primarily due to increases in employee salary and benefit costs, special education services, facility operating and maintenance costs, and student transportation costs. The decrease in net other financing uses compared to the prior year is primarily due to a decrease in the amount transferred out of the General Fund into the Capital Projects Fund.

Compared to the budget, instruction and support service expenditures were higher primarily due to higher than anticipated health care costs, special education costs, and transportation contractor costs. Debt service was less than budget due to interest earned on sinking fund deposits which offset debt service payments. Net other financing uses was less than budget due to lower than planned transfers to the Capital Projects Fund.

CAPITAL PROJECTS FUND

The Capital Projects Fund accounts for construction and renovation costs for District buildings, facility improvement projects, and equipment purchases to support technology and curriculum. During 2024-2025, the total amount of expenditures for these items was \$58,165,301, and the primary funding source for these expenditures was transfers from the General Fund totaling \$8,337,326 along with state capital grants of \$1,302,696 and interest income of \$1,504,683. At June 30, 2025, the District reported a fund balance of \$22,255,409, which is a decrease over the prior year of \$46,992,639 due to the District using the fund balance for renovation construction projects at Beaver Creek and West Bradford elementary schools. The total Capital Projects Fund fund balance as of June 30, 2025 is committed for future capital expenditures.

DEBT SERVICE FUND

The Debt Service Fund accounts for funds restricted for the payment of a portion of the District’s debt service on outstanding bonds. During 2024-2025, the Debt Service Fund fund balance increased by \$3,478,917 due to investment earnings of \$3,478,917. At June 30, 2025, the Debt Service Fund reported a fund balance of \$31,037,361, all of which the District has paid into an escrow account held for the future retirement of its Qualified School Construction Bonds.

**DOWNINGTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
YEAR ENDED JUNE 30, 2025**

CAPITAL ASSETS

The District's net investment in capital assets for its governmental and business-type activities as of June 30, 2025 amounted to \$390,372,391 net of accumulated depreciation. This investment in capital assets includes land, land improvements, buildings and improvements, furniture and equipment and right-to-use subscription assets. The total increase in the District's investment in capital assets, net of accumulated depreciation, for the current fiscal year was \$42,049,245 or 12.07%. The increase was primarily due to capital additions in excess of depreciation expense, including construction in progress for Beaver Creek and West Bradford elementary schools.

More detailed information about the District's capital assets is presented in the notes to the financial statements.

LONG-TERM DEBT AND NONCURRENT LIABILITIES

At the end of the current fiscal year, the District had total general obligation debt of \$87,751,237 consisting of \$45,080,000 in bonds payable, \$40,069,000 in qualified school construction bonds and bond premiums \$2,602,237. The entire amount is backed by the full faith and credit of the District. The District issues bonds to finance capital construction or to finance the retirement (refund) of existing debt. There are no unspent proceeds remaining from the outstanding bonds. The District's general obligation debt decreased by a net amount of \$4,336,600 or 4.71% during the fiscal year primarily due to principal payments on the bonds.

The District maintains an AAA rating from Moody's and Standard and Poor's.

State statutes limit the amount of general obligation debt the District may issue up to 225% of its borrowing base capacity which is calculated as the annual arithmetic average of the total revenues for the preceding three fiscal years. The District's outstanding general obligation debt as of June 30, 2025 is under the District's current debt limitation of \$617,558,024.

The District reports its allocated portion of its defined benefit unfunded benefit obligation related to its participation in PSERS. The District's allocated portion of the net pension liability totaled \$314,581,752 as of June 30, 2025. This is an actuarially determined estimate of the District's proportionate share of the unfunded cost of the PSERS pension plan obligation. The District's net pension liability allocation decreased by \$19,822,366 or 5.93% during the fiscal year based on the actuarially determined estimate.

The District reports a liability for its other post-employment benefits ("OPEB") related to its single employer OPEB plan and its participation in the PSERS health insurance premium assistance program. The District's net OPEB liability is an actuarially determined estimate of the unfunded cost of the OPEB obligation which totaled \$16,548,975 for the single employer plan as of June 30, 2025, and \$13,373,183 for the allocated portion of the PSERS OPEB liability. The District's combined net OPEB liability increased by \$3,027,095 or 11.26% during the fiscal year based on the actuarially determined estimate.

Other noncurrent liabilities includes the District's liability for compensated absences which totaled \$11,870,022 as of June 30, 2025, and increased by \$8,947,400 or 306.14% during the fiscal year.

More detailed information about the District's long-term debt and noncurrent liabilities is presented in the notes to the financial statements.

**DOWNINGTOWN AREA SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS – UNAUDITED
YEAR ENDED JUNE 30, 2025**

FACTORS BEARING ON THE DISTRICT’S FUTURE

The District has identified the following factors related to the District’s future:

- The District will continue to invest in renovations to its school buildings over the next several years. The East and West high school renovations were completed in August 2024, and the Beaver Creek and West Bradford elementary school renovations are scheduled to be completed in the fall of 2025. These high school and elementary school projects cost about \$125 million combined and were funded with existing fund balance. The District plans to borrow money in the future to fund additional facility renovation and improvements throughout the District.
- The District’s bus contractors’ costs have significantly increased due to the need for higher driver wages and higher insurance costs. The District will likely incur significantly higher transportation costs as the contractor rates will need to increase to cover their increased costs.
- The District’s 2025-2026 budget is \$300,269,158 and includes a 3.90% tax increase. The District anticipates tax increases will need to continue in future years to enable revenues to fund expenditure growth.
- The Pennsylvania law known as Act 1 provides property tax relief for property owners. As part of this legislation, a limit is placed on the real estate tax rate percentage increase that can be levied by the District each year. The percentage limit is known as the Act 1 index. The Act 1 index for 2025-2026 is 4.00% and 3.50% for 2026-2027.
- Increases in the level of state funding that the District will receive in future years is uncertain and is influenced by the political decisions and economic climate influencing the state budget.
- The District’s contributions to PSERS will continue to be significant over the next several years. PSERS has certified and projected the following future percentages of employee salaries that the District will need to fund:

2025-2026	34.00% (certified)
2026-2027	33.59% (certified)
2027-2028	34.12% (projected)
2028-2029	34.63% (projected)
2029-2030	35.17% (projected)

The state is expected to continue to reimburse the District for half of these contributions.

- District will continue to practice prudent fiscal management practices to ensure sufficient funding for its operations and capital spending.

**DOWNINGTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
YEAR ENDED JUNE 30, 2025**

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance and Operations or Assistant Director of Finance, Downingtown Area School District, 540 Trestle Place, Downingtown, PA 19335, www.dasd.org.

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BASIC FINANCIAL STATEMENTS

DOWNINGTOWN AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2025
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2024)

	Governmental Activities	Business-Type Activities	Totals	
			2025	2024
ASSETS				
Current Assets				
Cash	\$ 71,190,067	\$ 5,006,893	\$ 76,196,960	\$ 127,232,637
Investments	8,044,000	-	8,044,000	8,509,000
Restricted Assets :				
Cash Held by Fiscal Agent	10,451	-	10,451	16,549
Investments Held by Fiscal Agent	31,026,910	-	31,026,910	27,541,895
Taxes Receivable	2,855,051	-	2,855,051	2,405,369
Due from Other Governments	11,117,712	-	11,117,712	11,461,029
Internal Balances	(231,721)	231,721	-	-
Other Receivables	1,208,252	11,102	1,219,354	1,796,621
Prepaid Expenses	211,092	-	211,092	453,855
Inventories	-	1,175	1,175	4,317
Total Current Assets	<u>125,431,814</u>	<u>5,250,891</u>	<u>130,682,705</u>	<u>179,421,272</u>
Noncurrent Assets				
Capital Assets, Net	313,092,277	2,317,215	315,409,492	256,603,887
Nondepreciable Capital Assets	74,962,899	-	74,962,899	91,719,259
Total Noncurrent Assets	<u>388,055,176</u>	<u>2,317,215</u>	<u>390,372,391</u>	<u>348,323,146</u>
Total Assets	<u>513,486,990</u>	<u>7,568,106</u>	<u>521,055,096</u>	<u>527,744,418</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Charges OPEB - Single Employer	3,815,291	-	3,815,291	1,904,259
Deferred Charges on Proportionate Share of OPEB - PSERS	2,656,871	1,833	2,658,704	3,803,749
Deferred Charges on Proportionate Share of Pension - PSERS	49,468,750	39,664	49,508,414	61,842,856
Total Deferred Outflows of Resources	<u>55,940,912</u>	<u>41,497</u>	<u>55,982,409</u>	<u>67,550,864</u>
LIABILITIES				
Current Liabilities				
Accounts Payable	10,936,716	474,307	11,411,023	16,143,726
Accrued Salaries, Payroll Withholdings, and Benefits	37,721,773	-	37,721,773	36,149,634
Accrued Interest Payable	755,800	-	755,800	792,958
Bonds and Notes Payable - Due Within One Year	4,102,885	-	4,102,885	4,370,777
Compensated Absences, Current Portion	9,712,485	-	9,712,485	-
OPEB Liability - Single Employer, Current Portion	674,383	-	674,383	-
Unearned Revenue	205,789	467,519	673,308	796,283
Total Current Liabilities	<u>64,109,831</u>	<u>941,826</u>	<u>65,051,657</u>	<u>58,253,378</u>
Noncurrent Liabilities				
Bonds and Notes Payable - Due in More than One Year	83,648,352	-	83,648,352	87,717,060
Compensated Absences	2,156,868	669	2,157,537	2,922,622
OPEB Liability - Single Employer	15,874,592	-	15,874,592	13,266,164
Net OPEB Liability - PSERS	13,362,551	10,632	13,373,183	13,628,899
Net Pension Liability - PSERS	314,331,652	250,100	314,581,752	334,404,118
Total Noncurrent Liabilities	<u>429,374,015</u>	<u>261,401</u>	<u>429,635,416</u>	<u>451,938,863</u>
Total Liabilities	<u>493,483,846</u>	<u>1,203,227</u>	<u>494,687,073</u>	<u>510,192,241</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Credits OPEB - Single Employer	6,261,662	-	6,261,662	6,793,112
Deferred Credits on Proportionate Share of OPEB - PSERS	2,592,937	2,063	2,595,000	3,401,000
Deferred Credits on Proportionate Share of Pension - PSERS	4,974,043	3,957	4,978,000	4,579,000
Total Deferred Inflows of Resources	<u>13,828,642</u>	<u>6,020</u>	<u>13,834,662</u>	<u>14,773,112</u>
NET POSITION				
Net Investment in Capital Assets	300,303,939	2,317,215	302,621,154	256,235,309
Restricted for Debt Service	31,037,361	-	31,037,361	27,558,444
Unrestricted (Deficit)	<u>(269,225,886)</u>	<u>4,083,141</u>	<u>(265,142,745)</u>	<u>(213,463,824)</u>
Total Net Position	<u>\$ 62,115,414</u>	<u>\$ 6,400,356</u>	<u>\$ 68,515,770</u>	<u>\$ 70,329,929</u>

See accompanying Notes to Basic Financial Statements.

**DOWNINGTOWN AREA SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2024)**

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals	
							2025	2024
Primary Government:								
Governmental Activities:								
Instruction	\$ 184,192,655	\$ 41,400	\$ 33,320,542	\$ 33,000	\$ (150,797,713)	\$ -	\$ (150,797,713)	\$ (143,772,600)
Instructional Student Support	25,597,243	-	3,048,118	-	(22,549,125)	-	(22,549,125)	(23,387,019)
Administrative and Financial Support Services	23,679,606	-	2,313,900	-	(21,365,706)	-	(21,365,706)	(21,092,835)
Operation and Maintenance of Plant Services	21,071,953	543,205	1,805,724	1,302,696	(17,420,328)	-	(17,420,328)	(16,667,612)
Pupil Transportation	16,290,973	-	4,150,919	-	(12,140,054)	-	(12,140,054)	(10,523,777)
Student Activities	4,853,357	2,258,387	435,564	-	(2,159,406)	-	(2,159,406)	(2,292,037)
Community Services	95,610	-	-	-	(95,610)	-	(95,610)	(62,165)
Interest and Amortization Expense Related to Noncurrent Liabilities	4,847,299	-	4,990,374	-	143,075	-	143,075	167,008
Unallocated Depreciation	17,343,709	-	-	-	(17,343,709)	-	(17,343,709)	(15,737,231)
Total Governmental Activities	297,972,405	2,842,992	50,065,141	1,335,696	(243,728,576)	-	(243,728,576)	(233,368,268)
Business-Type Activities:								
Food Service	5,741,975	3,619,387	1,779,040	607,483	-	263,935	263,935	(5,651)
Total Primary Government	\$ 303,714,380	\$ 6,462,379	\$ 51,844,181	\$ 1,943,179	(243,728,576)	263,935	(243,464,641)	(233,373,919)
General Revenues								
Taxes:								
Property Taxes Levied for General Purposes					179,071,727	-	179,071,727	171,482,770
Other Taxes Levied for General Purposes					27,905,986	-	27,905,986	27,697,995
Grants and Entitlements not Restricted to Specific Programs					25,288,767	-	25,288,767	23,534,996
Investment Earnings (Loss)					8,424,047	228,126	8,652,173	11,472,476
Miscellaneous Income					320,855	-	320,855	268,340
Gain (Loss) on Sale of Capital Assets					421,786	(10,812)	410,974	342,911
Transfers					(211,155)	211,155	-	-
Total General Revenues and Transfers					241,222,013	428,469	241,650,482	234,799,488
CHANGE IN NET POSITION					(2,506,563)	692,404	(1,814,159)	1,425,569
Net Position - Beginning of Year					64,621,977	5,707,952	70,329,929	68,904,360
NET POSITION - END OF YEAR					\$ 62,115,414	\$ 6,400,356	\$ 68,515,770	\$ 70,329,929

See accompanying Notes to Basic Financial Statements.

**DOWNINGTOWN AREA SCHOOL DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2025
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2024)**

	Major Funds			Totals	
	General	Capital	Debt		
	Fund	Projects	Service	2025	2024
ASSETS					
Cash	\$ 55,405,458	\$ 15,784,609	\$ -	\$ 71,190,067	\$ 121,774,306
Investments	7,339,000	705,000	-	8,044,000	8,509,000
Restricted Assets:					
Cash Held by Fiscal Agent	-	-	10,451	10,451	16,549
Investments Held by Fiscal Agent	-	-	31,026,910	31,026,910	27,541,895
Taxes Receivable	2,855,051	-	-	2,855,051	2,405,369
Due from Other Funds	359	8,792,222	-	8,792,581	10,534,877
Due from Other Governments	10,269,912	847,800	-	11,117,712	11,461,029
Other Receivables	1,180,295	27,957	-	1,208,252	1,781,280
Prepaid Items	211,092	-	-	211,092	283,576
Total Assets	<u>\$ 77,261,167</u>	<u>\$ 26,157,588</u>	<u>\$ 31,037,361</u>	<u>\$ 134,456,116</u>	<u>\$ 184,307,881</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 7,034,537	\$ 3,902,179	\$ -	\$ 10,936,716	\$ 15,898,150
Due to Other Funds	9,024,302	-	-	9,024,302	10,688,157
Accrued Salaries, Payroll Withholdings, and Benefits	37,721,773	-	-	37,721,773	36,149,634
Unearned Revenue	205,789	-	-	205,789	182,996
Total Liabilities	<u>53,986,401</u>	<u>3,902,179</u>	<u>-</u>	<u>57,888,580</u>	<u>62,918,937</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenues - Property Taxes	2,153,296	-	-	2,153,296	1,622,872
FUND BALANCES					
Nonspendable:					
Prepaid Expenditures	211,092	-	-	211,092	283,576
Restricted:					
Debt Service	-	-	31,037,361	31,037,361	27,558,444
Committed:					
Capital Projects	-	22,255,409	-	22,255,409	69,248,048
Unassigned:	20,910,378	-	-	20,910,378	22,676,004
Total Fund Balances	<u>21,121,470</u>	<u>22,255,409</u>	<u>31,037,361</u>	<u>74,414,240</u>	<u>119,766,072</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 77,261,167</u>	<u>\$ 26,157,588</u>	<u>\$ 31,037,361</u>	<u>\$ 134,456,116</u>	<u>\$ 184,307,881</u>

See accompanying Notes to Basic Financial Statements.

**DOWNINGTOWN AREA SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO NET POSITION
OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION
YEAR ENDED JUNE 30, 2025**

Total Fund Balance - Governmental Funds \$ 74,414,240

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 in the governmental funds balance sheet.

Capital assets	\$ 600,836,299	
Accumulated depreciation	<u>(212,781,123)</u>	388,055,176

Deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits are not reported as assets and liabilities in the governmental funds balance sheet.

Deferred outflows of resources - pension and OPEB	55,940,912	
Deferred inflows of resources - pension and OPEB	<u>(13,828,642)</u>	42,112,270

Some of the District's property taxes will be collected after year-end but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred inflows of resources on the governmental funds balance sheet.

2,153,296

Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds balance sheet.

Bonds and notes payable	(87,751,237)	
Compensated absences	(11,869,353)	
OPEB liability - single-employer	(16,548,975)	
Net OPEB liability - PSERS	(13,362,551)	
Net pension liability - PSERS	<u>(314,331,652)</u>	(443,863,768)

Accrued interest payable on long-term liabilities is included in the statement of net position, but is excluded from the governmental funds balance sheet until due and payable.

(755,800)

Net Position of Governmental Activities \$ 62,115,414

See accompanying Notes to Basic Financial Statements.

DOWNINGTOWN AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2025
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2024)

	Major Funds			Totals	
	General	Capital	Debt	2025	2024
	Fund	Projects	Service		
REVENUES					
Local Sources	\$ 217,587,963	\$ 1,504,683	\$ 3,478,917	\$ 222,571,563	\$ 218,032,524
State Sources	65,571,417	1,302,696	-	66,874,113	61,513,658
Federal Sources	5,153,643	-	-	5,153,643	5,464,789
Total Revenues	<u>288,313,023</u>	<u>2,807,379</u>	<u>3,478,917</u>	<u>294,599,319</u>	<u>285,010,971</u>
EXPENDITURES					
Current					
Instruction	180,302,192	6,279,416	-	186,581,608	176,347,945
Support Services	87,112,008	602,702	-	87,714,710	81,706,183
Operation of Noninstructional Services	5,021,133	99,186	-	5,120,319	4,612,268
Facilities Acquisition, Construction, and Improvement Services	471,328	51,183,997	-	51,655,325	58,332,071
Debt Service	9,221,057	-	-	9,221,057	9,292,223
Total Expenditures	<u>282,127,718</u>	<u>58,165,301</u>	<u>-</u>	<u>340,293,019</u>	<u>330,290,690</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	6,185,305	(55,357,922)	3,478,917	(45,693,700)	(45,279,719)
OTHER FINANCING SOURCES (USES)					
Sale of/Compensation for Capital Assets	427,555	-	-	427,555	342,808
Refund of Prior Year Expenditures	74,712	27,957	-	102,669	36,457
Insurance Recoveries	22,799	-	-	22,799	7,333
Transfers In	-	8,337,326	-	8,337,326	10,531,464
Transfers Out	(8,548,481)	-	-	(8,548,481)	(10,665,268)
Total Other Financing Sources (Uses)	<u>(8,023,415)</u>	<u>8,365,283</u>	<u>-</u>	<u>341,868</u>	<u>252,794</u>
NET CHANGE IN FUND BALANCES	(1,838,110)	(46,992,639)	3,478,917	(45,351,832)	(45,026,925)
Fund Balances - Beginning of Year	<u>22,959,580</u>	<u>69,248,048</u>	<u>27,558,444</u>	<u>119,766,072</u>	<u>164,792,997</u>
FUND BALANCES - END OF YEAR	<u>\$ 21,121,470</u>	<u>\$ 22,255,409</u>	<u>\$ 31,037,361</u>	<u>\$ 74,414,240</u>	<u>\$ 119,766,072</u>

See accompanying Notes to Basic Financial Statements.

**DOWNINGTOWN AREA SCHOOL DISTRICT
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO CHANGE IN NET POSITION OF
GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025**

Net Change in Fund Balance - Governmental Funds \$ (45,351,832)

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 allocated over the estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures	\$ 58,177,544	
Net book value of disposed capital assets	(5,769)	
Depreciation expense	<u>(17,343,709)</u>	40,828,066

Because some taxes 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. Deferred inflows of resources decreased by this amount this year.

Deferred inflows of resources June 30, 2024	(1,622,872)	
Deferred inflows of resources June 30, 2025	<u>2,153,296</u>	530,424

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on the change in net assets of governmental activities. Also, governmental funds report the effect of premiums, discounts, and similar items when long-term debt is 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 bonds payable	4,068,708	
Amortization of bond premiums and discounts	<u>267,892</u>	4,336,600

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Current year change in accrued interest payable	37,158	
Current year change in compensated absences	(8,964,972)	
Current year change in net pension liability - PSERS and deferred outflows and inflows	7,005,024	
Current year change in OPEB liability - single-employer and deferred outflows and inflows	(840,329)	
Current year change in net OPEB liability - PSERS and deferred outflows and inflows	<u>(86,702)</u>	<u>(2,849,821)</u>

Change in Net Position of Governmental Activities \$ (2,506,563)

See accompanying Notes to Basic Financial Statements.

DOWNINGTOWN AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION – PROPRIETARY FUND
JUNE 30, 2025
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2024)

	Major Fund	
	Food Service Fund	
	2025	2024
ASSETS		
CURRENT ASSETS		
Cash	\$ 5,006,893	\$ 5,458,331
Due from Other Funds	232,080	156,693
Other Receivables	11,102	15,341
Prepaid Expenses	-	170,279
Inventories	1,175	4,317
Total Current Assets	5,251,250	5,804,961
NONCURRENT ASSETS		
Capital Assets, Net	2,317,215	1,096,036
Total Assets	7,568,465	6,900,997
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Proportionate Share of Pension - PSERS	39,664	66,563
Deferred Charges on Proportionate Share of OPEB - PSERS	1,833	4,094
Total Deferred Outflows of Resources	41,497	70,657
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	474,307	245,576
Due to Other Funds	359	3,413
Unearned Revenue	467,519	613,287
Total Current Liabilities	942,185	862,276
NONCURRENT LIABILITIES		
Accrued Compensated Absences	669	18,241
Net OPEB Liability - PSERS	10,632	14,669
Net Pension Liability - PSERS	250,100	359,928
Total Noncurrent Liabilities	261,401	392,838
Total Liabilities	1,203,586	1,255,114
DEFERRED INFLOWS OF RESOURCES		
Deferred Credits on Proportionate Share of Pension - PSERS	3,957	4,928
Deferred Credits on Proportionate Share of OPEB - PSERS	2,063	3,660
Total Deferred Inflows of Resources	6,020	8,588
NET POSITION		
Net Investment in Capital Assets	2,317,215	1,096,036
Unrestricted	4,083,141	4,611,916
Total Net Position	\$ 6,400,356	\$ 5,707,952

See accompanying Notes to Basic Financial Statements.

DOWNINGTOWN AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION –
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2025
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2024)

	Major Fund	
	Food Service Fund	
	2025	2024
OPERATING REVENUES		
Food Service Revenue	\$ 3,619,387	\$ 3,609,941
OPERATING EXPENSES		
Salaries	100,620	112,702
Employee Benefits	27,306	124,493
Purchased Services - Food Management	2,696,607	2,454,061
Purchased Property Services	20,787	38,887
Other Purchased Services	62,035	46,876
Supplies - Food Costs	2,475,439	2,451,102
Depreciation	272,918	179,309
Dues and Fees	86,263	85,081
Total Operating Expenses	5,741,975	5,492,511
OPERATING INCOME (LOSS)	(2,122,588)	(1,882,570)
NONOPERATING REVENUES		
Earnings on Investments	228,126	246,945
Gain (Loss) on Sale of Capital assets	(10,812)	103
State Sources	457,448	449,172
Federal Sources	1,321,592	1,427,747
Total Nonoperating Revenues	1,996,354	2,123,967
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	(126,234)	241,397
TRANSFERS AND CAPITAL CONTRIBUTIONS		
Capital Contribution	607,483	-
Transfers In	211,155	133,804
	692,404	375,201
CHANGE IN NET POSITION	692,404	375,201
Net Position - Beginning of Year	5,707,952	5,332,751
NET POSITION - END OF YEAR	\$ 6,400,356	\$ 5,707,952

See accompanying Notes to Basic Financial Statements.

DOWNINGTOWN AREA SCHOOL DISTRICT
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
YEAR ENDED JUNE 30, 2025
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2024)

	Major Fund	
	Food Service Fund	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Food Service Revenue	\$ 3,615,565	\$ 3,612,539
Cash Payments to Employees for Services	(232,771)	(228,148)
Cash Payments to Suppliers for Goods and Services	(4,938,819)	(5,092,834)
Cash Payments for Other Operating Expenses	(86,263)	(85,081)
Net Cash Used by Operating Activities	(1,642,288)	(1,793,524)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Sources	457,448	449,172
Federal Sources	814,762	1,103,687
Transfers In	211,155	1,900
Net Cash Provided by Noncapital Financing Activities	1,483,365	1,554,759
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Sale of Capital Assets	-	103
Acquisition of Capital Assets	(520,641)	(232,666)
Net Cash Used by Capital and Related Financing Activities	(520,641)	(232,563)
CASH FLOWS FROM INVESTING ACTIVITIES		
Earnings on Investments	228,126	246,945
Proceed from (Purchase of) Investments	-	1,297,766
Net Cash Provided by Investing Activities	228,126	1,544,711
NET CHANGE IN CASH	(451,438)	1,073,383
Cash - Beginning of Year	5,458,331	4,384,948
CASH - END OF YEAR	\$ 5,006,893	\$ 5,458,331

See accompanying Notes to Basic Financial Statements.

DOWNINGTOWN AREA SCHOOL DISTRICT
STATEMENT OF CASH FLOWS – PROPRIETARY FUND (CONTINUED)
YEAR ENDED JUNE 30, 2025
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2024)

	Major Fund	
	Food Service Fund	
	2025	2024
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Loss	\$ (2,122,588)	\$ (1,882,570)
Adjustments to Reconcile Operating Loss to Net Cash		
Used by Operating Activities:		
Depreciation	272,918	179,309
Donated Commodities Used	369,123	364,995
(Increase) Decrease in:		
Due from Other Funds	(75,387)	(1,087)
Other Receivables	4,239	(3,388)
Inventories	3,142	(2,852)
Deferred Outflows of Resources	29,160	10,094
Increase (Decrease) in:		
Accounts Payable	22,225	(463,569)
Due to Other Funds	(3,054)	605
Unearned Revenue	(8,061)	5,986
Accrued Compensated Absences	(17,572)	1,073
Net OPEB Liability	(4,037)	(127)
Net Pension Liability	(109,828)	3,238
Deferred Inflows of Resources	(2,568)	(5,231)
Net Cash Used by Operating Activities	\$ (1,642,288)	\$ (1,793,524)
SUPPLEMENTAL DISCLOSURES OF NONCASH FINANCING ACTIVITIES		
Noncash Noncapital Financing Activity		
USDA Donated Commodities	\$ 369,123	\$ 364,995
Noncash Capital and Related Financing Activity		
Capital Contribution	\$ 607,483	\$ -
Acquisition of Capital Assets in Accounts Payable	\$ 211,155	\$ -

See accompanying Notes to Basic Financial Statements.

DOWNINGTOWN AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION – FIDUCIARY FUNDS
JUNE 30, 2025
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2024)

	Custodial Funds	
	2025	2024
ASSETS		
Cash	\$ 708,196	\$ 693,797
LIABILITIES		
Accounts Payable	-	3,167
NET POSITION		
Restricted for:		
Scholarships	29,888	28,956
Student Activities	678,308	661,674
Total Fiduciary Net Position	\$ 708,196	\$ 690,630

See accompanying Notes to Basic Financial Statements.

DOWNINGTOWN AREA SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION – FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2025
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2024)

	Custodial Funds	
	2025	2024
ADDITIONS:		
Receipts from Student Groups	\$ 1,538,545	\$ 1,396,039
Local Contributions	4,842	11,189
Total Additions	1,543,387	1,407,228
DEDUCTIONS:		
Scholarships Awarded and Fees Paid	3,910	3,500
Student Activity Disbursements	1,521,911	1,317,852
Total Deductions	1,525,821	1,321,352
CHANGE IN FIDUCIARY NET POSITION	17,566	85,876
Total Fiduciary Net Position - Beginning of Year	690,630	604,754
TOTAL FIDUCIARY NET POSITION - END OF YEAR	\$ 708,196	\$ 690,630

See accompanying Notes to Basic Financial Statements.

**DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 1 ORGANIZATION AND PURPOSE

The Downingtown Area School District (the District) operates 10 elementary schools, 3 middle schools, and 3 high schools to provide education and related services to the residents of the Borough of Downingtown and the Townships of East Brandywine, East Cain, Upper Uwchlan, Uwchlan, Wallace, West Bradford, and West Pikeland. The District operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provisions of the School Laws of Pennsylvania as a school district of the third class. The District operates under a locally elected nine-member board form of government (the School Board).

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting policies are as follows:

Reporting Entity

GASB has established the criteria for determining the activities, organizations, and functions of government to be included in the financial statements of the reporting entity. In evaluating the District as a reporting entity, management has addressed all potential component units which may or may not fall within the District's accountability. The criteria used to evaluate component units for possible inclusion as part of the District's reporting entity are financial accountability and the nature and significance of the relationship. The District is considered to be an independent reporting entity and has no component units.

Basis of Presentation – Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities. These statements include the financial activities of the primary government except for fiduciary funds.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flow. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared as further defined below. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

**DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation – Government-Wide Financial Statements (Continued)

The government-wide statement of net position presents the financial position of the District which is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources and is classified 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 borrowing attributable to acquiring, constructing or improving those assets. The net position of the District is reported as restricted when constraints placed on net position use is 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. Unrestricted net position is the net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

The statement of net position includes separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until that time. Deferred inflows of resources represent an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

The government-wide statement of activities presents a comparison between expenses and program revenues for each function of the business-type activities of the District and for each governmental function. Expenses are those that are specifically associated with a service or program and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each function is self-financing or draws from the general revenues of the District.

Except for interfund activity and balances between the funds that underlie governmental activities and the funds that underlie business-type activities, which are reported as transfers and internal balances, the effect of interfund activity has been removed from these statements.

Basis of Presentation – Fund Financial Statements

During the school year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Fiduciary fund financial statements are presented by fund type.

**DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation – Fund Financial Statements (Continued)

Governmental Funds

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

The District reports the following major governmental funds:

General Fund

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

Capital Projects Fund

The Capital Projects Fund accounts for financial resources restricted, committed, or assigned to be used for capital expenditures or for the acquisition, construction of capital facilities, improvements, and/or equipment.

Debt Service Fund

The Debt Service Fund is used to account for financial resources committed or restricted for the payment of long-term debt principal, interest, and other related costs.

Revenue Recognition

In applying the "susceptible to accrual concept" under the modified accrual basis, 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 tax revenue to be available if collected within 60 days of the end of the fiscal period. Deferred inflows of resources are reported in connection with receivables for tax revenues that are not considered to be available to liquidate liabilities of the current period. Revenue from federal, state, and other grants designated for payment of specific District expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as unearned revenues until earned. Other receipts are recorded as revenue when received in cash because they are generally not measurable until actually received.

**DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation – Fund Financial Statements (Continued)

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, special termination benefits, other postemployment benefits, and claims and judgments are recorded only when payment is due. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Proprietary Funds

Like the government-wide financial statements, proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when they are earned and expenses are recognized when they are incurred. Allocations of certain costs, such as depreciation, are recorded in proprietary funds. The District reports the following proprietary funds:

The Food Service Fund accounts for the revenues and costs of providing meals to students during the school year.

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 revenues of the District's proprietary fund are charges for services. Operating expenses for the District's proprietary fund include payroll, employee benefits, supplies and administrative costs. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary Funds

Fiduciary funds reporting focuses on net assets and changes in net assets and are accounted for using the economic resources measurement focus and the accrual basis of accounting. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and custodial funds. Custodial funds are used to account for assets held on behalf of individuals and/or government units and are, therefore, not available to support the District's own programs. The District has two custodial funds. The first consists of funds held on behalf of the students. The second accounts for activities in various scholarship accounts, whose sole purpose is to provide annual scholarships to particular students as described by donor stipulations.

**DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments are stated at fair value based upon quoted market prices, except for certificates of deposit which are recorded at cost and external investment pools which are recorded at amortized cost, both of which approximate fair value.

Fair Value Measurements of Assets and Liabilities

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the District. Unobservable inputs reflect the District's assumptions about the inputs market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the District has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not require a significant degree of judgment.

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

Level 3 – Valuations based on inputs that are unobservable, that is, inputs that reflect the District's own assumptions.

Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/due 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 government-wide financial statements as "internal balances."

**DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes

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

July 1 – August 31	Discount period, 2% of gross levy
September 1 – October 31	Face period
November 1 to Collection	Penalty period, 10% of gross levy
January 15	Lien date

The County Board of Assessments determines assessed valuations of property and the District's taxes are billed and collected by a third-party tax collector. The tax on real estate for public school purposes for fiscal 2024-2025 was 30.7110 mills (\$30.711 for \$1,000 of assessed valuation) for Chester County. The District experiences very small losses from uncollectible property taxes. Property taxes constitute a lien against real property and usually can be collected in full when title transfers. Only balances that remain after tax sales are written off each year. Accordingly, an allowance for doubtful accounts has not been established by the District for property taxes receivable.

Taxpayers within the District have the option of paying in four installments. These installments have the following due dates:

Installment One	July 31
Installment Two	August 31
Installment Three	September 30
Installment Four	October 31

The discount (2%) is not applicable to installment payments; however, the penalty (10%) will be added if the second, third, and fourth installments are paid subsequent to the due dates.

Prepaid Items and Inventories

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide and fund financial statements.

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

Unearned Revenues

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

**DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary fund 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 if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed, inclusive of ancillary costs.

Property, plant, and equipment (net of salvage value) of the District is depreciated using the straight-line method over the following estimated useful lives:

Buildings and Improvements	15 to 50 Years
Land Improvements	15 to 40 Years
Furniture and Equipment	5 to 20 Years

Leases and Subscriptions

The District has entered into noncancellable leases and subscriptions. The District recognizes a lease or a subscription liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements.

At the commencement of an agreement, the District initially measures the lease or subscription liability at the present value of payments expected to be made during the lease or subscription term. Subsequently, the lease and subscription liability is reduced by the principal portion of lease payments made. The lease and subscription asset is initially measured as the initial amount of the lease or subscription liability, adjusted for lease or subscription payments made at or before the lease commencement date, plus certain initial costs. Subsequently, the lease or subscription asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments include how the District determines (1) the discount rate it used to discount the expected lease or subscription payments to present value, (2) lease term, and (3) lease payments.

The District uses its estimated incremental borrowing rate as the discount rate for leases and subscriptions.

**DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases and Subscriptions (Continued)

The lease or subscription term includes the noncancellable period of the lease or subscription. Lease and subscription payments included in the measurement of the lease or subscription liability is comprised of fixed payments.

The District monitors changes in circumstances that would require a remeasurement of its leases or subscriptions, and will remeasure the lease or subscription liability if certain changes occur that are expected to significantly affect the amount of the liabilities.

Impairment of Long-Lived Assets

The District evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances is outside the normal life cycle of the capital asset. If a capital asset is considered to be impaired, the amount of impairment is measured by the method that most reflects the decline in service utility of the capital asset at the lower of carrying value or fair value for impaired capital assets that will no longer be used by the District. No impairment losses were recognized in the year ended June 30, 2025.

Compensated Absences

District policies permit employees to accumulate earned but unused vacation, personal, and sick days. The liability for compensated absences reported in the government-wide and proprietary fund statements consists of leave that has not been used that is attributable to services already rendered, accumulates and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The liability also includes amounts for leave that has been used for time off but has not yet been paid in cash or settled through noncash means and certain other types of leave.

Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bonds payable are reported net of the applicable bond premium or discount. Bond premiums and discounts are deferred and amortized over the life of the bonds. Deferred amounts on refunding are recorded as a deferred outflow of resources and amortized over the life of the old debt or the life of the new debt, whichever is shorter. All amounts are amortized using the straight-line method.

**DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pension

The District contributes to the Public School Employees Retirement System (PSERS), a cost-sharing, multiemployer defined benefit pension plan. GASB establishes standards for the measurement, recognition, and display of pension expense and related liabilities, deferred outflows and deferred inflows of resources related to pension, certain required supplementary information, and note disclosures.

For the purpose of measuring net pension liability, deferred outflows of resources, and deferred inflows of resources related to pension and pension expense, information about the fiduciary net position of PSERS and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refund of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefits (OPEB)

The District's OPEB plans are accounted for under the provisions of GASB establishes standards for the measurement, recognition, and display of OPEB expense and related liabilities, deferred outflows and deferred inflows of resources related to other postemployment benefits, certain required supplementary information, and note disclosures. The District provides OPEB under the following two plans:

PSERS OPEB Plan – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the PSERS and additions to/deductions from PSERS' fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

District OPEB Plan – The District sponsors a single-employer defined benefit OPEB plan. For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms. The District OPEB plan is unfunded.

**DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows for Pension and OPEB

Deferred outflows of resources for pension relate to the District's net pension liability and pension expense and arise from changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, differences between employer contributions and the proportionate share of total contributions reported by the pension plan, or changes in the internal allocation of the net pension liability between governmental and business-type activities or funds. These amounts are deferred and amortized over either a closed five-year period or the average remaining service life of all employees depending on what gave rise to the deferred outflow. Also included in deferred outflows of resources are contributions made to the pension plan subsequent to the measurement date and prior to the District's year-end. The contributions will be recognized as a reduction in net pension liability in the following year.

Deferred outflows of resources for other OPEB liabilities relate to the District's liability for OPEB other than pensions and related expenses and arise from the changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, differences between employer contributions and the proportionate share of total contributions reported by the plan, or changes in the internal allocation of the net OPEB liability between governmental and business-type activities or funds. These amounts are deferred and amortized over either a closed five-year period or the average remaining service life of all employees depending on what gave rise to the deferred outflow. Also included in deferred outflows of resource are contributions or OPEB payments made subsequent to the measurement date and prior to the District's year end. These payments will be recognized as a reduction to the net other postemployment benefit liability in the following year.

Deferred Inflows for Pension and OPEB

Deferred inflows of resources for pension relate to the District's net pension liability and pension expense and arise from changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, differences between employer contributions and the proportionate share of total contributions reported by the pension plan, or changes in the internal allocation of the net pension liability between governmental and business-type activities or funds. These amounts are deferred and amortized over either a closed five-year period or the average remaining service life of all employees depending on what gave rise to the deferred inflow.

**DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows for Pension and OPEB (Continued)

Deferred inflows of resources for OPEB liabilities relate to the District's liability for OPEB other than pensions and related expenses and arise from the changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, differences between employer contributions and the proportionate share of total contributions reported by the plan, or changes in the internal allocation of the net OPEB liability between governmental and business-type activities or funds. These amounts are deferred and amortized over either a closed five-year period or the average remaining service life of all employees depending on what gave rise to the deferred inflow.

Fund Equity

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 and uses. Premiums received and discounts paid on debt issuances are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures except for refundings paid from proceeds which are reported as other financing costs.

As prescribed by GASB, governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the fund can be spent. The District reports the following fund balance classifications:

Nonspendable Fund Balance – Consists of amounts that cannot be spent because they are either (a) not in spendable form, such as inventory or prepaid insurance or (b) legally or contractually required to be maintained intact, such as a trust that must be retained in perpetuity.

Restricted Fund Balance – Consists of amounts that can be spent only for specific purposes because of constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – Consists of amounts that can only be used for specific purposes determined by a formal action of the District's highest level of decision-making authority, the School Board. Committed amounts cannot be used for any other purpose unless the School Board removes those constraints by taking the same type of formal action.

**DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity (Continued)

Assigned Fund Balance – Consists of amounts that are constrained by the District's intent to be used for specific purposes but are neither restricted nor committed. Intent is expressed by (a) the chief financial officer, (b) an appointed body (e.g., finance committee), or (c) an official to which the District has delegated the authority to assign, modify or rescind amounts to be used for specific purposes.

Assigned fund balance includes (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as non-spendable, restricted, or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue fund or the capital projects fund are assigned for purposes in accordance with the nature of their fund type.

Unassigned Fund Balance – Consists of the residual classification for the General Fund. This classification represents General Fund fund balance that has not been assigned to other funds, and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

When both restricted and unrestricted resources are available for use, it is the District's policy to use externally restricted resources first, then unrestricted resources — assigned or unassigned — in order, as needed.

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation. However, presentation of prior year totals by fund and activity type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the District's financial statements for the year ended June 30, 2024, from which the summarized information was derived.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Implementation of New Accounting Pronouncements

Effective July 1, 2024, the District adopted the provisions of GASB Statement No. 101, *Compensated Absences* and GASB Statement No. 102, *Certain Risk Disclosures*.

The objective of GASB Statement No 101 is to update the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. GASB Statement No. 101 will require that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The implementation of GASB Statement No. 101 impacted how the District measured its compensated absences in the government-wide financial statements of the District for the year ended June 30, 2025. The implementation of GASB Statement No. 101 increased liabilities and expenses in the entity-wide financial statements of the District for the year ended June 30, 2025.

The objective of GASB Statement No. 102 is to improve financial reporting by providing users of financial statements with essential information that currently is not often provided. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to substantial impact. As a result, users have better information with which to understand and anticipate certain risks to a government's financial condition. The Implementation of GASB Statement No. 102 had no impact on the financial statements of the District for the year ended June 30, 2025.

New Accounting Pronouncements

GASB Statement No. 103, *Financial Reporting Model Improvements*, will be effective for the District for the year ended June 30, 2026. The objective of GASB Statement No. 103 is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, will be effective for the District for the year ended June 30, 2026. The objective of GASB Statement No. 104 is to improve financial reporting by providing users of financial statements with essential information about certain types of capital assets in order to make informed decisions and assess accountability. Additionally, the disclosure requirements will improve consistency and comparability between governments.

**DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements (Continued)

GASB Statement No. 105, *Subsequent Events*, will be effective for the District for the year ended June 30, 2027. The objective of GASB Statement No. 105 is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users

NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

An annual budget is adopted prior to the beginning of each year for the General Fund on a modified accrual basis of accounting. The General Fund is the only fund for which a budget is legally required, although project-length financial plans are adopted for the Capital Projects Fund.

The District is required to make available for public inspection within 20 days of final adoption the proposed budget. Public notice of the intent to adopt the final budget is required to be done 10 days prior to the adoption date.

After the legal adoption of the budget, the School Board is required to file a copy of the budget with the Pennsylvania Department of Education by July 31. Additional copies of the budget also are required to be filed with the House Education Committee and the Senate Education Committee by September 15.

Legal budgetary control is maintained at the sub-function/major object level. The School Board may make transfers of funds appropriated in any particular item of expenditure by legislative action in accordance with Pennsylvania School Code. Management may amend the budget at the sub-function/sub-object level without approval from the School Board. Appropriations lapse at the end of the fiscal period.

Expenditures in Excess of Appropriations

During the year ended June 30, 2025, the District had expenditures in excess of appropriations in the following functions:

Regular Programs	\$ 2,965,779
Special Programs	3,726,264
Vocational Programs	1,129
Instructional Staff Services	1,208,528
Pupil Health	676,604
Business Services	123,784
Operation and Maintenance of Plant Services	2,308,761
Student Transportation Services	1,888,639
Other Support Services	176,845
Student Activities	96,071
Community Services	5,581
Total	<u>\$ 13,177,985</u>

**DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 4 DEPOSITS AND INVESTMENTS

State statutes authorize the District to invest in U.S. Treasury bills, time or share accounts of institutions insured by the Federal Deposit Insurance Corporation, or in certificates of deposit when they are secured by proper bond or collateral, repurchase agreements, state treasurer’s investment pools, or mutual funds.

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. At June 30, 2025, the carrying amount of the District’s deposits was \$76,915,607 and the bank balance was \$77,325,872. The District is required by state statute to deposit funds in depositories that are either banks, banking institutions, or trust companies located in the Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States, Commonwealth of Pennsylvania or any political subdivision. Under Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit. Of the bank balance, \$1,015,073 was covered by federal depository insurance, and \$17,868,486 was collateralized by the District’s depositories in accordance with Act 72 and the collateral was held by the depositories’ agent in pooled public funds. The remaining cash deposits of the District are in the Pennsylvania School District Liquid Asset Fund (PSDLAF). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PSDLAF acts like a money market mutual fund in that its objective is to maintain a stable net asset value of \$1 per share and is rated by a nationally recognized statistical rating organization and is subject to an independent annual audit. As of June 30, 2025, PSDLAF was rated as AAA by a nationally recognized statistical rating agency.

Investments

State statutes authorize the District to invest in U.S. Treasury bills, time or share accounts of institutions insured by the Federal Deposit Insurance Corporation or in certificates of deposit when they are secured by proper bond or collateral, repurchase agreements, state treasurer’s investment pools, or mutual funds.

As of June 30, 2025, the District had the following investments:

Investment Type	Fair Value	Investment Maturities (In Years)	
		Less than 1	1 - 5
Investments Held at Fair Value			
U.S. Treasury Strips	\$ 31,026,910	\$ -	\$ 31,026,910
Investments Held at Amortized Cost			
Certificates of Deposit	<u>8,044,000</u>		
Total Investments	<u>\$ 39,070,910</u>		

**DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 4 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

U.S. Treasury securities were valued using Level 2 inputs.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral that is in the possession of an outside party. The collateral for all of the District's investments are held by the pledging bank's agent in the District's name. The District had no investments subject to custodial credit risk as of June 30, 2025.

Interest Rate Risk

The District's investment policy limits investment maturities in accordance with state statutes as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The District's investment policy limits its investments that are not backed by the "full faith and credit" of the federal or state government to those with the highest credit rating available for such investments issued by a recognized statistical rating organization.

Restricted Deposits and Investments

The District maintains restricted cash and investment balances held by fiscal agents, which are restricted for the repayment of Qualified School Construction Bonds (see Note 8). The total carrying amounts and related bank balances of these cash and investment accounts are \$31,037,361 as of June 30, 2025, which are invested in U.S. Treasury securities.

NOTE 5 PROPERTY TAXES

Taxes receivable consisted of the following as of June 30, 2025:

Real Estate Taxes	\$ 2,321,495
Real Estate Transfer Taxes	433,278
Earned Income Taxes	99,212
Local Services Tax	1,066
Total	<u>\$ 2,855,051</u>

**DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 5 PROPERTY TAXES (CONTINUED)

A detailed analysis of current year property tax revenues for the year ended June 30, 2025 is as follows:

Assessed Value, July 1, 2024		\$	6,051,873,755
Millage Rate			30.7110
Gross Property Tax Levy			<u>185,859,095</u>
Add:			
Penalties Paid			289,331
Less:			
Discounts			(3,278,130)
Assessment Changes and Exonerations			(630,725)
Property Tax Relief Allocation			(5,825,176)
Taxes Uncollected at December 31, 2024 and Liened			<u>(2,562,005)</u>
Total			<u><u>\$ 173,852,390</u></u>

NOTE 6 INTERNAL RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2025 is as follows:

Receivable To	Amount	Payable From	Amount
Capital Projects Fund	\$ 8,792,222	General Fund	\$ 8,792,222
Food Service Fund	232,080	General Fund	232,080
General Fund	359	Food Service Fund	359
Total	<u><u>\$ 9,024,661</u></u>	Total	<u><u>\$ 9,024,661</u></u>

Interfund balances between funds represent amounts owed by one fund to another fund at year-end.

A summary of interfund transfers for the year ended June 30, 2025, is as follows:

Transfers In	Amount	Transfers Out	Amount
Capital Projects Fund	\$ 8,337,326	General Fund	\$ 8,337,326
Food Service Fund	211,155	General Fund	211,155
Total	<u><u>\$ 8,548,481</u></u>	Total	<u><u>\$ 8,548,481</u></u>

Transfers from General Fund and Debt Service Fund to the Capital Projects Fund represents transfers to subsidize costs associated with the acquisition of capital assets.

**DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 7 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2025, was as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ 60,089,265	\$ 58,602,205	\$ 75,518,887	\$ 43,172,583
Land	31,629,994	160,322	-	31,790,316
Total Capital Assets, Not Being Depreciated	<u>91,719,259</u>	<u>58,762,527</u>	<u>75,518,887</u>	<u>74,962,899</u>
Capital Assets, Being Depreciated and Amortized:				
Buildings and Improvements	398,819,511	65,024,145	538,258	463,305,398
Land Improvements	20,293,063	385,867	648,729	20,030,201
Right-to-Use Subscription Assets	1,236,285	120,626	297,900	1,059,011
Furniture and Equipment	38,635,645	9,403,266	6,560,121	41,478,790
Total Capital Assets, Being Depreciated and Amortized	<u>458,984,504</u>	<u>74,933,904</u>	<u>8,045,008</u>	<u>525,873,400</u>
Less: Accumulated Depreciation and Amortization:				
Buildings and Improvements	(164,432,281)	(10,410,985)	(538,259)	(174,305,007)
Land Improvements	(17,747,463)	(346,907)	(642,960)	(17,451,410)
Right-to-Use Subscription Assets	(449,494)	(278,025)	(297,900)	(429,619)
Furniture and Equipment	(20,847,415)	(6,307,792)	(6,560,120)	(20,595,087)
Total Accumulated Depreciation and Amortization	<u>(203,476,653)</u>	<u>(17,343,709)</u>	<u>(8,039,239)</u>	<u>(212,781,123)</u>
Total Capital Assets Being Depreciated and Amortized, Net	<u>255,507,851</u>	<u>57,590,195</u>	<u>5,769</u>	<u>313,092,277</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 347,227,110</u>	<u>\$ 116,192,400</u>	<u>\$ 75,524,656</u>	<u>\$ 388,055,176</u>
Business-Type Activities:				
Capital Assets, Being Depreciated:				
Machinery and Equipment	\$ 3,661,754	\$ 1,504,909	\$ 219,632	\$ 4,947,031
Less: Accumulated Depreciation:				
Machinery and Equipment	(2,565,718)	(272,918)	(208,820)	(2,629,816)
Total Capital Assets, Being Depreciated	<u>1,096,036</u>	<u>1,231,991</u>	<u>10,812</u>	<u>2,338,839</u>
Total Business-Type Activities Capital Assets, Net	<u>\$ 1,096,036</u>	<u>\$ 1,231,991</u>	<u>\$ 10,812</u>	<u>\$ 2,317,215</u>

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

Governmental Activities	
Unallocated	<u>\$ 17,343,709</u>
Business-Type Activities	
Food Service	<u>\$ 272,918</u>

As of June 30, 2025, the District had outstanding construction commitments totaling \$13,444,936 for various renovations to District buildings.

**DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 8 LONG-TERM DEBT

General Obligation Debt

General obligation debt is a direct obligation of the District for which full faith and credit are pledged and is payable from unrestricted resources. The District has not pledged any assets as collateral for general obligation debt. General obligation debt was issued to finance capital expenditures or to finance the retirement (refund) of prior general obligation debt.

General obligation debt outstanding as of June 30, 2025, consisted of the following:

Description	Original Issue Amount	Interest Rate(s)	Final Maturity	Outstanding End of Year
General Obligation Bonds				
Series of 2017	\$ 16,910,000	0.75% - 5.00%	11/01/2029	\$ 11,675,000
Series of 2018A	\$ 14,635,000	2.00% - 5.00%	08/01/2029	7,550,000
Series of 2018C	\$ 26,655,000	2.00% - 5.00%	08/01/2032	25,855,000
Total General Obligation Bonds				<u>45,080,000</u>
Qualified School Construction Bonds				
Series of 2010A	\$ 28,303,000	5.00%	09/15/2027	28,303,000
Series of 2011C	\$ 11,766,000	5.088%	09/15/2029	11,766,000
Total Qualified School Construction Bonds				<u>40,069,000</u>
Total General Obligation Debt				<u><u>\$ 85,149,000</u></u>

Qualified School Construction Bonds

The District participates in the Qualified School Construction Bonds (QSCB) program sponsored by the State Public School Building Authority (SPSBA). The SPSBA was formed by the Commonwealth of Pennsylvania for the purpose of financing the construction and improvement of public school facilities under the jurisdiction of the Pennsylvania Department of Education. The QSCB program was created by the American Recovery and Reinvestment Act (ARRA) and allows schools to borrow at nominal or zero percent to fund new construction, renovation, and rehabilitation of schools, as well as the purchase of land and equipment. The SPSBA issues the bonds through the QSCB program and provides loans to schools for qualified projects.

**DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 8 LONG-TERM DEBT (CONTINUED)

Qualified School Construction Bonds (Continued)

the QSCB program SPSBA receives direct interest subsidy payments from the United States Treasury which are then transferred to the borrowers as reimbursement of the interest portion of their loan payments. On October 6, 2010, the District borrowed \$28,303,000 from the SPSBA under the QSCB program. The District is required to deposit \$1,664,882 annually into a sinking fund through the maturity date of September 15, 2027. On November 1, 2011, the District borrowed \$11,766,000 from the SPSBA under the QSCB program. The District is required to deposit \$734,750 annually into a sinking fund through the maturity date of September 15, 2029. Sinking fund deposits are included as restricted assets held by fiscal agent in the accompanying financial statements and total \$31,037,361 at June 30, 2025.

The following summarizes the changes in general obligation debt for the year ended June 30, 2025:

	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025	Amount Due Within One Year
Governmental Activities					
General Obligation Bonds					
Series of 2017	\$ 13,785,000	\$ -	\$ 2,110,000	\$ 11,675,000	\$ 2,180,000
Series of 2018A	8,785,000	-	1,235,000	7,550,000	1,300,000
Series of 2018C	25,860,000	-	5,000	25,855,000	5,000
Qualified School Construction Bonds					
Series of 2010A	28,303,000	-	-	28,303,000	-
Series of 2011C	11,766,000	-	-	11,766,000	-
Subtotal	88,499,000	-	3,350,000	85,149,000	3,485,000
Bond Premiums	3,631,977	-	1,029,740	2,602,237	617,885
Bond Discounts	(43,140)	-	(43,140)	-	-
Total General Obligation Debt	<u>\$ 92,087,837</u>	<u>\$ -</u>	<u>\$ 4,336,600</u>	<u>\$ 87,751,237</u>	<u>\$ 4,102,885</u>

Annual debt service requirements to maturity on these obligations are as follows:

<u>Year Ending June 30,</u>	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Debt Sinking Fund</u>	<u>Total</u>
2026	\$ 3,485,000	\$ 2,118,240	\$ 2,399,632	\$ 8,002,872
2027	3,655,000	1,945,840	2,399,632	8,000,472
2028	32,158,000	1,745,808	(25,903,568)	8,000,240
2029	5,765,000	1,505,025	734,750	8,004,775
2030	17,791,000	1,243,850	(11,031,250)	8,003,600
2031-2033	22,295,000	1,709,125	-	24,004,125
Total	<u>\$ 85,149,000</u>	<u>\$ 10,267,888</u>	<u>\$ (31,400,804)</u>	<u>\$ 64,016,084</u>

**DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 8 LONG-TERM DEBT (CONTINUED)

Qualified School Construction Bonds (Continued)

Interest maturities presented are net of the direct interest subsidy payments from the United States Treasury to reimburse interest expense on the District's Series of 2010A and 2011C QSCB bonds. The amount of the subsidy is estimated at \$1,965,689 each year for 2025 through 2027, \$1,282,172 for 2028, and a total of \$897,981 for 2029-2030.

NOTE 9 NONCURRENT LIABILITIES

The following summarizes the changes in noncurrent liabilities for the year ended June 30, 2025:

	Balance July 1, 2024	Increases	Decreases	Balance June 30, 2025	Amount Due in One Year
Governmental Activities					
Total General Obligation Debt	\$ 92,087,837	\$ -	\$ 4,336,600	\$ 87,751,237	\$ 4,102,885
Compensated Absences	2,904,381	8,964,972	-	11,869,353	9,712,485
OPEB Liability	13,266,164	3,282,811	-	16,548,975	674,383
Net OPEB Liability - PSERS	13,614,230	-	251,679	13,362,551	-
Net Pension Liability - PSERS	334,044,190	-	19,712,538	314,331,652	-
Total Governmental Activities	455,916,802	12,247,783	24,300,817	443,863,768	14,489,753
Business-Type Activities					
Compensated Absences	18,241	-	17,572	669	-
Net OPEB Liability - PSERS	14,669	-	4,037	10,632	-
Net pension Liability - PSERS	359,928	-	109,828	250,100	-
Total Business-Type Activities	392,838	-	131,437	261,401	-
Total Noncurrent Liabilities	<u>\$ 456,309,640</u>	<u>\$ 12,247,783</u>	<u>\$ 24,432,254</u>	<u>\$ 444,125,169</u>	<u>\$ 14,489,753</u>

Non-current liabilities of governmental activities are generally liquidated by the General Fund, while noncurrent liabilities of the business-type activities are liquidated by the Food Service Fund.

The change in the compensated absence liability is presented as a net change.

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS

Single-Employer Defined Benefit OPEB Plan

The District's other postemployment benefits (OPEB) include a single-employer defined benefit plan that provides medical, prescription, dental, and vision benefits to certain retirees and their spouse. The School Board has the authority to establish and amend benefit provisions. The OPEB Plan does not issue any financial report and is not included in the report of any public employee retirement system or any other entity.

**DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

OPEB Plan Membership

Membership in the OPEB plan consisted of the following at July 1, 2024:

Active Employees	1,601
Vested Former Participants	-
Retired Participants	46
Total	1,647

Funding Policy

The District's contributions are funded on a pay-as-you-go basis. The contribution requirements of retirees are established and may be amended by the School Board.

OPEB Liability

The District's OPEB liability has been measured as of June 30, 2025. The total OPEB liability was determined by an actuarial valuation as of July 1, 2024, and by rolling forward the liabilities from the July 1, 2024 actuarial valuation through the measurement date. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. The OPEB liability is \$16,458,975, all of which is unfunded. As of June 30, 2025, the OPEB liability of 16,458,975 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position.

The District's change in its OPEB liability for the year ended June 30, 2025, was as follows:

Balances as of July 1, 2024	\$ 13,266,164
Changes for the Year:	
Service Cost	905,418
Interest on Total OPEB Liability	571,606
Changes of Benefit Terms	321,662
Differences Between Projected and Actual Experience	2,125,071
Changes in Assumptions	(29,464)
Benefit Payments	(611,482)
Net Change in OPEB Liability	3,282,811
Balances as of June 30, 2025	\$ 16,548,975

OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2025, the District recognized OPEB expense of \$1,514,712. At June 30, 2025, the District had deferred inflows of resources and deferred outflows of resources related to the OPEB plan from the following sources:

**DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 1,973,280	\$ 2,409,140
Changes of Assumptions	1,167,628	3,852,522
Contributions Subsequent to the Measurement Date	674,383	-
Total	<u>\$ 3,815,291</u>	<u>\$ 6,261,662</u>

The amount of \$674,383 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows for the year ending June 30, 2025:

<u>Year Ending June 30,</u>	<u>Amount</u>
2026	\$ (283,974)
2027	(283,974)
2028	(283,974)
2029	(283,974)
2030	(283,974)
Thereafter	<u>(1,700,884)</u>
Total	<u>\$ (3,120,754)</u>

Sensitivity of the OPEB Liability to Change in Healthcare Cost Trend Rates

The following presents the OPEB liability for June 30, 2025, calculated using current healthcare cost trends as well as what the OPEB liability would be if health cost trends were 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>1% Decrease Healthcare Cost Trend Rate</u>	<u>Current Healthcare Cost</u>	<u>1% Increase Healthcare Cost Trend Rate</u>
OPEB Liability	<u>\$ 14,641,160</u>	<u>\$ 16,548,975</u>	<u>\$ 18,798,447</u>

Sensitivity of the OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District calculated using the discount rate of 4.29%, as well as what the OPEB liability would be if it were calculated using the discount rate that is 1 percentage point lower (3.29%) or 1 percentage point higher (4.29%) than the current rate:

	<u>1% Decrease in Discount Rate 3.29%</u>	<u>Current Discount Rate 4.29%</u>	<u>1% Increase in Discount Rate 5.29%</u>
OPEB Liability	<u>\$ 17,921,079</u>	<u>\$ 16,548,975</u>	<u>\$ 15,259,261</u>

**DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Significant Assumptions

The OPEB liability as of June 30, 2025, was determined by rolling forward the OPEB liability as of July 1, 2024 to June 30, 2025, using the following actuarial assumptions applied to all periods included in the measurement:

- Actuarial cost method – entry age normal
- Discount rate – 4.29% – Standard and Poor’s 20-year municipal bond rate. The discount rate changed from 4.13% to 4.29%.
- Salary growth – salary increases are composed of 2.50% cost-of-living adjustment, 1.50% for real wage growth, and 0.00% to 2.75% for merit or seniority increases.
- Assumed healthcare cost trends – 7.00% in 2024 with 0.50% decrease per year until 5.50% in 2027. Rates gradually decrease from 5.40% in 2028 4.0% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- Mortality rates were based on a PubT-2010 headcount-weighted mortality table for contingent survivors for teachers and PubG-2010 headcount-weighted mortality table for contingent survivors for all other employees
- Change in benefit terms – effective July 1, 2024 Spouses of group 3 and 4 Administrators can now receive subsidized coverage and receive coverage as long as the member does. Group 3 and 4 Administrators now receive a life insurance policy with a face value of 2.5 time the members salary at retirement. Administrators are now required to reach 10 years of district service and either PSERS Superannuation, age 55 with 25 years of PSERS service, or 35 years of PSERS service to receive subsidized coverage. Confidential employees hired prior to July 1, 2024 can receive reimbursements for coverage through the PSERS group plan for up to 5 years regardless of their age. Confidential employees hired on or after July 1, 2024 are only eligible for Act 110/43.

Cost-Sharing Multiple-Employer Defined Benefit OPEB Plan

Plan Description

PSERS provides health insurance premium assistance which is a governmental cost-sharing, multiple-employer OPEB plan for all eligible retirees who qualify and elect to participate. Employer contribution rates for health insurance premium assistance are established to provide reserves in the health insurance account that are sufficient for the payment of health insurance premium assistance benefits for each succeeding year.

**DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Plan Description (Continued)

Retirees of PSERS can participate in the health insurance premium assistance program if they satisfy the following criteria:

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age

Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' health options program. As of June 30, 2024, there were no assumed future benefit increases to participating eligible retirees.

Employer Contributions

The District's contractually required contribution rate for the fiscal year ended June 30, 2025 was 0.63% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$768,704 for the year ended June 30, 2025.

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

At June 30, 2025, the District reported a liability of \$13,373,183 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward PSERS' total OPEB liability as of June 30, 2023 to June 30, 2024. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2025, the District's proportion was 0.7528%, which was a decrease of 0.0005 from its proportion measured as of June 30, 2024. As of June 30, 2025, the net OPEB liability of \$13,362,551 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position and the remaining \$10,632 of the net OPEB liability is recorded as a liability in the proprietary fund statement of net position, and in the business-type activities in the government-wide statement of net position.

**DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

For the year ended June 30, 2025, the District recognized OPEB expense of \$774,000. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Projected and Actual Experience	\$ 51,000	\$ 201,000
Changes of Assumptions	815,000	2,042,000
Net Difference Between Projected and Actual Investment		
Earnings	14,000	-
Changes in Proportions	992,000	352,000
Contributions Subsequent to the Measurement Date	786,704	-
Total	\$ 2,658,704	\$ 2,595,000

The amount of \$786,704 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows for the years ended June 30:

<u>Year Ending December 31,</u>	<u>Amount</u>
2026	\$ (285,000)
2027	(2,000)
2028	(346,000)
2029	(47,000)
2030	(43,000)
Total	\$ (723,000)

Actuarial Assumptions

The OPEB liability as of June 30, 2024, was determined by rolling forward the PSERS' OPEB liability as of June 30, 2023 to June 30, 2024 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – entry age normal – level % of pay
- Investment return – 4.21% - Standard & Poor's 20-year municipal bond rate
- Salary growth – Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Premium assistance reimbursement is capped at \$1,200 per year.
- Assumed healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 retiree tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 improvement scale.

**DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Assumptions (Continued)

Participation rate:

- Eligible retirees will elect to participate pre-age 65 at 50%
- Eligible retirees will elect to participate post-age 65 at 70%

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial experience study that was performed for the five-year period June 30, 2020.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2022 determined the employer contribution rate for fiscal year 2024.
- Cost method – amount necessary to assure solvency of premium assistance through the third fiscal year after the valuation date.
- Asset valuation method: market value.
- Participation rate: The actual data for retirees benefiting under the Plan as of June 30, 2021, was used in lieu of the 63% utilization assumption for eligible retirees.
- Mortality tables for males and females, adjusted to reflect PSERS’ experience and projected using a modified version of the MP-2015 mortality improvement scale.

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

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

	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	100.00%	1.70%

The above was the School Board’s adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2024.

**DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Discount Rate

The discount rate used to measure the OPEB liability was 4.21%. Under the OPEB plan’s funding policy, contributions are structured for short term funding of health insurance premium assistance. The funding policy sets contribution rates necessary to assure solvency of health insurance premium assistance through the third fiscal year after the actuarial valuation date. The health insurance premium assistance account is funded to establish reserves that are sufficient for the payment of health insurance premium assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan’s fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the OPEB plan is considered a "pay-as-you-go" plan. A discount rate of 4.21%, which represents the Standard & Poor’s 20-year municipal bond rate at June 30, 2024, was applied to all projected benefit payments to measure the total OPEB liability.

Sensitivity of District’s Proportionate Share of the Net OPEB Liability to Change in Healthcare Cost Trend Rates

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual health insurance premium assistance. As of June 30, 2024, retirees health insurance premium assistance benefits are not subject to future healthcare cost increases. The healthcare insurance premium assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on healthcare cost trends as depicted below. As of June 30, 2024, 489 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on healthcare cost trends as depicted below.

The following presents the net OPEB liability for June 30, 2024, calculated using current healthcare cost trends as well as what net OPEB liability would be if health cost trends were 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease Healthcare Cost Trend Rate	Current Healthcare Cost	1% Increase Healthcare Cost Trend Rate
District's Proportionate Share of the Net OPEB Liability	\$ 13,372,001	\$ 13,373,183	\$ 13,374,139

**DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

The following presents the net OPEB liability, calculated using the discount rate of 4.21%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.21%) or 1 percentage-point higher (5.21%) than the current rate:

	1% Decrease Discount Rate 3.21%	Current Discount Rate 4.21%	1% Increase Discount Rate 5.21%
District's Proportionate Share of the Net OPEB Liability	<u>\$ 15,107,635</u>	<u>\$ 13,373,183</u>	<u>\$ 11,920,663</u>

OPEB Plan Fiduciary Net Position

Detailed information about PSERS’ fiduciary net position is available in PSERS Annual Comprehensive Financial Report which can be found on PSERS’s website at www.psers.pa.gov.

NOTE 11 PENSION PLAN

Plan Description

PSERS is 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 PSERS include all full-time public 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 financial report that can be obtained at www.psers.state.pa.us.

**DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 11 PENSION PLAN (CONTINUED)

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 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 become 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 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service.

Act 5 of 2017 (Act 5) introduced a hybrid benefit with two membership classes and a separate defined contribution plan for individuals who become new members on or after July 1, 2019. Act 5 created two new hybrid membership classes, Membership Class T-G (Class T-G) and Membership Class T-H (Class T-H) and the separate defined contribution membership class, Membership Class DC (Class DC). To qualify for normal retirement, Class T-G and Class T-H members must work until age 67 with a minimum of 3 years of credited service. Class T-G may also qualify for normal retirement by attaining a total combination of age and service that is equal to or greater than 97 with a minimum of 35 years of credited service.

Benefits are generally between 1.00% to 2.50%, depending upon 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 benefits 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 2.00% or 2.50%, depending upon 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 5 years of credited service (10 years 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.

**DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 11 PENSION PLAN (CONTINUED)

Contributions

Member Contributions

The contribution rates based on qualified member compensation for virtually all members are presented below:

Member Contribution Rates				
Membership Class	Continuous Employment Since	Defined Benefit (DB) Contribution Rate	DC Contribution Rate	Total Contribution Rate
T-C	Prior to July 22, 1983	5.25 %	N/A	5.25 %
				6.25 %
T-C	On or after July 22, 1983	6.25 %	N/A	6.25 %
T-D	Prior to July 22, 1983	6.50 %	N/A	6.50 %
T-D	On or after July 22, 1983	7.50 %	N/A	7.50 %
T-E	On or after July 1, 2011	7.50% base rate with shared risk provision	N/A	Prior to 7/1/21: 7.50%
				After 7/1/21: 8.00%
T-F	On or after July 1, 2011	10.30% base rate with shared risk provision	N/A	Prior to 7/1/21: 10.30%
				After 7/1/21: 10.80%
T-G	On or after July 1, 2019	5.50% base rate with shared risk provision	2.75 %	Prior to 7/1/21: 8.25%
				After 7/1/21: 9.00%
T-H	On or after July 1, 2019	4.50% base rate with shared risk provision	3.00 %	Prior to 7/1/21: 7.50%
				After 7/1/21: 8.25%
DC	On or after July 1, 2019	N/A	7.50 %	7.50 %

Membership Class	Defined Benefit DB Base Rate	Shared Risk Increment	Minimum	Maximum
T-E	7.50 %	+/- 0.50%	5.50 %	9.50 %
T-F	10.30 %	+/- 0.50%	8.30 %	12.30 %
T-G	5.50 %	+/- 0.75%	2.50 %	8.50 %
T-H	4.50 %	+/- 0.75%	1.50 %	7.50 %

Employer Contributions

The District's contractually required contribution rate for fiscal year ended June 30, 2023 was 32.92% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$41,108,414 for the year ended June 30, 2025.

**DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 11 PENSION PLAN (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2025, the District reported a liability of \$314,581,752 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by rolling forward PSERS' total pension liability as of June 30, 2023 to June 30, 2024. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2025, the District's proportion was 0.7516%, which was a decrease of 0.0001 from its proportion measured as of June 30, 2024.

As of June 30, 2025, the net pension liability of \$314,581,752 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position and the remaining \$250,100 of the net pension liability is recorded as a liability in the proprietary fund statement of net position, and in the business-type activities in the government-wide statement of net position.

For the year ended June 30, 2025, the District recognized pension expense of \$34,053,000. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ -	\$ 4,946,000
Net Difference Between Projected and Actual Investment		
Earnings	5,208,000	-
Changes in Proportions	3,192,000	32,000
Contributions Subsequent to the Measurement Date	41,108,414	-
Total	\$ 49,508,414	\$ 4,978,000

The amount of \$41,108,414 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the year ended June 30:

Year Ending December 31,	Amount
2026	\$ (5,861,000)
2027	8,961,000
2028	1,376,000
2029	(1,054,000)
Total	\$ 3,422,000

**DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 11 PENSION PLAN (CONTINUED)

- **Actuarial Assumptions**
- The total pension liability as of June 30, 2024 was determined by rolling forward PSERS's total pension liability at the June 30, 2023 actuarial valuation to June 30, 2024 using the following actuarial assumptions, applied to all periods included in the measurement:
 - Valuation date – June 30, 2023
 - Actuarial cost method – entry age normal – level % of pay
 - Investment return – 7.00%, includes inflation at 2.50%
 - Salary growth – Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
 - Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 retiree tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 improvement scale.
 - The discount rate used to measure the total pension liability was 7.00% as of June 30, 2023 and as of June 30, 2024.
 - Demographic and economic assumptions approved by the School Board for use effective with the June 30, 2021 actuarial valuation:
 - Salary growth rate – decreased from 5.00% to 4.50%.
 - Wage growth and merit or seniority increases (components for salary growth) – decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.
 - Mortality rates – Previously based on the RP-2014 mortality tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 mortality improvement scale. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 retiree tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 improvement scale.

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial valuation experience study that was performed for the five year period ending June 30, 2020.

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns net of 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

**DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 11 PENSION PLAN (CONTINUED)

Actuarial Assumptions (Continued)

	Target Allocation	Long-Term Expected Real Rate of Return
Global Public Equity	30.00 %	4.80 %
Private Equity	12.00	6.70
Fixed Income	33.50	3.90
Commodities	5.00	2.50
Infrastructure/MLPs	10.00	6.40
Real Estate	9.50	5.90
Total	100.00 %	

The above was the School Board’s adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2024.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. 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, 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 represents the net pension liability, calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate:

	1% Decrease Discount Rate 6.00%	Current Discount Rate 7.00%	1% Increase Discount Rate 8.00%
District's Proportionate Share of the Net Pension Liability	\$ 414,400,072	\$ 314,581,752	\$ 230,292,247

Pension Plan Fiduciary Net Position

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

**DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 12 JOINTLY-GOVERNED ORGANIZATIONS

Technical College High School Brandywine

The District and two other Chester County school districts participate in the Technical College High School Brandywine Campus (TCHS Brandywine). The TCHS Brandywine provides vocational-technical training and education to students of the participating school districts. The TCHS Brandywine is controlled by a joint board comprised of representative school board members of the participating school districts. District oversight of the TCHS Brandywine operations is the responsibility of the joint board. The District's share of operating costs for the TCHS Brandywine fluctuates based on the District's percentage of enrollment. The District's share of operating costs for 2024-2025 was \$3,609,309.

The TCHS Brandywine prepares financial statements that are available to the public from their administrative offices.

Chester County Intermediate Unit

The District and the other Chester County school districts are participating members of the Chester County Intermediate Unit (the CCIU). The CCIU is a regional educational service agency, established by the Commonwealth of Pennsylvania, which is governed by a joint committee consisting of School Board members from each participating district. The School Board of each participating district must approve the annual operating budget of the CCIU but the participating districts have no ongoing fiduciary interest or responsibility to the CCIU. The CCIU is a self-sustaining organization that provides a broad array of services to participating districts which include: curriculum development and instructional improvement; educational planning services; instructional material; continuing professional development; pupil personnel services; management services and state and federal liaison services.

NOTE 13 CONTINGENCIES AND COMMITMENTS

Government Grants and Awards

The District receives federal, state, and local funding under a number of programs. Payments made by these sources under contractual agreements are provisional and subject to redetermination based on filing of reports and audits of those reports. Final settlements due from or to these sources are recorded in the year in which the related services are performed. Any adjustments resulting from subsequent examinations are recognized in the year in which the results of such examinations become known. District officials do not expect any significant adjustments as a result of these examinations.

Litigation

The District is a defendant in various matters of litigation and claims. These matters result from the normal course of business. It is not presently possible to determine the ultimate outcome or settlement cost, if any, of these matters.

**DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 14 RISK MANAGEMENT

Other Risks

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance. For insured programs, there were no significant reductions in insurance coverages during the 2024-2025 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Healthcare

The District administers a self-insurance program to provide healthcare and related expenses for eligible employees, spouses and their dependents. Accordingly, benefit payments plus an administrative charge are made to a third-party administrator, who approves and processes all claims. The District has recorded a liability in the General Fund that includes an estimate for claims incurred but not reported through June 30, 2025 as estimated by the District's third-party administrator and healthcare benefit consultant.

The following table presents the self-insurance healthcare claims liability and the related changes in the claims liability for the year ended June 30:

	<u>2025</u>	<u>2024</u>
Insurance Claims Liability - Beginning of Year	\$ 5,963,845	\$ 5,648,096
Current Year Insurance Claims and Changes in Estimates	24,329,265	23,049,344
Insurance Claims Paid	<u>(24,333,748)</u>	<u>(22,733,595)</u>
Insurance Claims Liability - End of Year	<u>\$ 5,959,362</u>	<u>\$ 5,963,845</u>

Workers' Compensation

The District and other participating Pennsylvania school districts and educational agencies participate in the School District Insurance Consortium (SDIC), which is a voluntary trust. The District and the other participating members pay premiums to SDIC for the purpose of seeking prevention or lessening of claims due to injuries of employees of the participating members and pooling workers' compensation and occupational disease insurance risks, reserves claims and losses, and providing self-insurance and reinsurance thereof. It is the intent of the participating members of SDIC that the SDIC will utilize funds contributed by the participating members, which shall be held in trust by SDIC, to provide self-insurance and reimbursements to the members for their obligations to pay compensation as required under the Workers' Compensation Act and the Pennsylvania Occupational Disease Act and to purchase excess and aggregate insurance. As of June 30, 2025, the District is not aware of any additional assessments relating to SDIC.

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REQUIRED SUPPLEMENTARY INFORMATION

**DOWNINGTOWN AREA SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
YEAR ENDED JUNE 30, 2025**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local Sources	\$ 218,949,213	\$ 218,949,213	\$ 217,587,963	\$ (1,361,250)
State Sources	64,103,200	64,103,200	65,571,417	1,468,217
Federal Sources	1,425,000	3,286,677	5,153,643	1,866,966
Total Revenues	<u>284,477,413</u>	<u>286,339,090</u>	<u>288,313,023</u>	<u>1,973,933</u>
EXPENDITURES				
Instruction				
Regular Programs	117,810,438	119,378,236	122,344,015	(2,965,779)
Special Programs	42,439,590	44,516,462	48,242,726	(3,726,264)
Vocational Programs	8,233,715	8,235,715	8,236,844	(1,129)
Other Instructional Programs	1,762,434	1,762,434	1,473,631	288,803
Nonpublic School Programs	12,000	12,000	4,976	7,024
Total Instruction	<u>170,258,177</u>	<u>173,904,847</u>	<u>180,302,192</u>	<u>(6,397,345)</u>
Support Services				
Pupil Support Services	12,488,145	12,488,145	12,422,669	65,476
Instructional Staff Services	8,634,246	8,631,626	9,840,154	(1,208,528)
Administrative Services	15,521,043	15,523,613	14,371,680	1,151,933
Pupil Health	4,178,909	4,178,909	4,855,513	(676,604)
Business Services	2,727,059	2,727,059	2,850,843	(123,784)
Operation and Maintenance of Plant Services	17,854,917	17,847,583	20,156,344	(2,308,761)
Student Transportation Services	14,419,329	14,419,329	16,307,968	(1,888,639)
Support Services - Central	6,220,015	6,223,948	6,034,992	188,956
Other Support Services	95,000	95,000	271,845	(176,845)
Total Support Services	<u>82,138,663</u>	<u>82,135,212</u>	<u>87,112,008</u>	<u>(4,976,796)</u>
Operation of Noninstructional Services				
Student Activities	4,829,452	4,829,452	4,925,523	(96,071)
Community Services	90,029	90,029	95,610	(5,581)
Total Operation of Noninstructional Services	<u>4,919,481</u>	<u>4,919,481</u>	<u>5,021,133</u>	<u>(101,652)</u>
Facilities Acquisition, Construction, and Improvement Services	505,000	505,000	471,328	33,672
Debt Service	8,010,000	9,861,678	9,221,057	640,621
Total Expenditures	<u>265,831,321</u>	<u>271,326,218</u>	<u>282,127,718</u>	<u>(10,801,500)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	18,646,092	15,012,872	6,185,305	(8,827,567)
OTHER FINANCING SOURCES (USES)				
Sale of/Compensation for Capital Assets	200,000	200,000	427,555	227,555
Refund of Prior Year Expenditures	-	-	74,712	74,712
Refund of Prior Year Revenues	-	(10,000)	-	10,000
Insurance Recoveries	-	-	22,799	22,799
Transfers Out	(15,224,308)	(15,224,308)	(8,548,481)	6,675,827
Budgetary Reserve	(4,043,220)	(400,000)	-	400,000
Total Other Financing Sources (Uses)	<u>(19,067,528)</u>	<u>(15,434,308)</u>	<u>(8,023,415)</u>	<u>7,410,893</u>
NET CHANGE IN FUND BALANCE	<u>\$ (421,436)</u>	<u>\$ (421,436)</u>	(1,838,110)	<u>\$ (1,416,674)</u>
Fund Balance - Beginning of Year			<u>22,959,580</u>	
FUND BALANCE - END OF YEAR			<u>\$ 21,121,470</u>	

**DOWNINGTOWN AREA SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY – PSERS
YEAR ENDED JUNE 30, 2025**

	Measurement Date									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's Proportion of the Net Pension Liability	0.7516%	0.7517%	0.7454%	0.7298%	0.7123%	0.6174%	0.7311%	0.6556%	0.6547%	0.6410%
District's Proportionate Share of the Net Pension Liability	\$ 314,581,752	\$ 334,404,118	\$ 331,395,314	\$ 299,632,015	\$ 350,729,511	\$ 288,835,822	\$ 350,964,299	\$ 323,790,381	\$ 324,448,546	\$ 277,651,000
District's Covered-Employee Payroll	\$ 118,467,794	\$ 115,411,908	\$ 109,806,040	\$ 103,604,972	\$ 100,128,498	\$ 85,153,373	\$ 98,456,473	\$ 87,291,671	\$ 84,793,744	\$ 82,474,947
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	265.54%	289.75%	301.80%	289.21%	350.28%	339.19%	356.47%	370.93%	382.63%	336.65%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	64.63%	61.85%	61.34%	63.67%	54.32%	55.66%	54.00%	52.00%	50.00%	54.00%

**DOWNINGTOWN AREA SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PENSION PLAN CONTRIBUTIONS – PSERS
YEAR ENDED JUNE 30, 2025**

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually Required Contribution	\$ 41,108,414	\$ 39,520,856	\$ 39,360,617	\$ 37,156,096	\$ 34,680,817	\$ 33,276,464	\$ 27,648,629	\$ 31,022,971	\$ 25,076,097	\$ 20,829,000
Contributions in Relation to the Contractually Required Contribution	<u>\$ 41,108,414</u>	<u>\$ 39,520,856</u>	<u>\$ 39,360,617</u>	<u>\$ 37,156,096</u>	<u>\$ 34,680,817</u>	<u>\$ 33,276,464</u>	<u>\$ 27,648,629</u>	<u>\$ 31,022,971</u>	<u>\$ 25,076,097</u>	<u>\$ 20,829,000</u>
Contribution Deficiency (Excess)	-	-	-	-	-	-	-	-	-	-
District's Covered-Employee Payroll	\$ 124,873,676	\$ 118,467,794	\$ 115,411,908	\$ 109,806,040	\$ 103,604,972	\$ 100,128,498	\$ 85,153,373	\$ 98,456,473	\$ 87,291,671	\$ 84,793,744
Contributions as a Percentage of Covered-Employee Payroll	32.92%	33.36%	34.10%	33.84%	33.47%	33.23%	32.47%	31.51%	29.00%	25.00%

**DOWNINGTOWN AREA SCHOOL DISTRICT
SCHEDULE OF CHANGES IN OPEB LIABILITY – SINGLE EMPLOYER PLAN
YEAR ENDED JUNE 30, 2025**

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability								
Service Cost	\$ 905,418	\$ 847,115	\$ 1,466,062	\$ 1,478,830	\$ 1,248,865	\$ 1,253,362	\$ 1,088,495	\$ 1,116,126
Interest on Total OPEB Liability	571,606	522,964	409,937	326,104	556,237	481,312	465,654	362,294
Change of Benefit Terms	321,662	-	-	-	-	-	-	-
Differences Between Projected and Actual Experience	2,125,071	-	(1,854,552)	-	(1,054,902)	-	(416,685)	-
Changes of Assumptions	(29,464)	166,307	(3,804,976)	(557,099)	832,556	(475,375)	878,365	(203,972)
Benefit Payments	(611,482)	(663,288)	(735,363)	(849,876)	(817,316)	(891,975)	(923,460)	(915,163)
Net Change in Total OPEB Liability	3,282,811	873,098	(4,518,892)	397,959	765,440	367,324	1,092,369	359,285
Total OPEB Liability, Beginning	13,266,164	12,393,066	16,911,958	16,513,999	15,748,559	15,381,235	14,288,866	13,929,581
Total OPEB Liability, Ending	<u>\$ 16,548,975</u>	<u>\$ 13,266,164</u>	<u>\$ 12,393,066</u>	<u>\$ 16,911,958</u>	<u>\$ 16,513,999</u>	<u>\$ 15,748,559</u>	<u>\$ 15,381,235</u>	<u>\$ 14,288,866</u>
Fiduciary Net Position as a Percentage of Total OPEB Liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered Payroll	\$ 116,033,160	\$ 108,810,925	\$ 108,810,925	\$ 98,981,967	\$ 98,981,967	\$ 90,294,978	\$ 90,294,978	\$ 83,688,223
Net OPEB Liability as a Percentage of Covered Payroll	14.26%	12.19%	11.39%	17.09%	16.68%	17.44%	17.03%	17.07%

Change of Benefit Terms:

Spouses of group 3 and 4 Administrators can now receive subsidized coverage and receive coverage as long as the member does. Group 3 and 4 Administrators now receive a life insurance policy with a face value of 2.5 time the members salary at retirement. Administrators are now required to reach 10 years of district service and either PSERS Superannuation, age 55 with 25 years of PSERS service, or 35 years of PSERS service to receive subsidized coverage. Confidential employees hired prior to July 1, 2024 can receive reimbursements for coverage through the PSERS group plan for up to 5 years regardless of their age. Confidential employees hired on or after July 1, 2024 are only eligible for Act 110/43.

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**DOWNINGTOWN AREA SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY – PSERS
YEAR ENDED JUNE 30, 2025**

	Measurement Date							
	2024	2023	2022	2021	2020	2019	2018	2017
District's Proportion of the Net OPEB Liability	0.7528%	0.7533%	0.7468%	0.7308%	0.7134%	0.6174%	0.7311%	0.6556%
District's Proportionate Share of the Net OPEB Liability	\$ 13,373,183	\$ 13,628,899	\$ 13,746,878	\$ 17,320,566	\$ 15,414,413	\$ 13,131,123	\$ 15,243,062	\$ 13,357,273
District's Covered-Employee Payroll	\$ 118,467,794	\$ 115,411,908	\$ 109,806,040	\$ 103,604,972	\$ 100,128,498	\$ 85,153,373	\$ 98,456,473	\$ 87,291,671
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	11.29%	11.81%	12.52%	16.72%	15.39%	15.42%	15.48%	15.30%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	7.13%	7.22%	6.86%	5.30%	5.69%	5.56%	5.56%	6.00%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**DOWNINGTOWN AREA SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S OPEB PLAN CONTRIBUTIONS – PSERS
YEAR ENDED JUNE 30, 2025**

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Contractually Required Contribution	\$ 768,704	\$ 863,749	\$ 863,749	\$ 859,755	\$ 850,395	\$ 839,836	\$ 707,361	\$ 816,814	\$ 724,818
Contributions in Relation to the Contractually Required Contribution	\$ 768,704	\$ 863,749	\$ 863,749	\$ 859,755	\$ 850,395	\$ 839,836	\$ 707,361	\$ 816,814	\$ 724,818
Contribution Deficiency (Excess)	-	-	-	-	-	-	-	-	-
District's Covered-Employee Payroll	\$ 122,016,508	\$ 118,467,794	\$ 115,411,908	\$ 109,806,040	\$ 103,604,972	\$ 100,128,498	\$ 85,153,373	\$ 98,456,473	\$ 87,291,671
Contributions as a Percentage of Covered-Employee Payroll	0.63%	0.64%	0.75%	0.78%	0.82%	0.84%	0.83%	0.83%	0.83%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

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SUPPLEMENTARY INFORMATION

**DOWNINGTOWN AREA SCHOOL DISTRICT
COMBINING BALANCE SHEET – CAPITAL PROJECTS FUND
JUNE 30, 2025**

	<u>Capital Reserve Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
ASSETS			
Cash	\$ 10,892,241	\$ 4,892,368	\$ 15,784,609
Investments	705,000	-	705,000
Due from Other Governments	-	847,800	847,800
Other Receivables	-	27,957	27,957
Due from Other Funds	-	8,792,222	8,792,222
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 11,597,241</u>	<u>\$ 14,560,347</u>	<u>\$ 26,157,588</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 1,480,893	\$ 2,421,286	\$ 3,902,179
Total Liabilities	<u>1,480,893</u>	<u>2,421,286</u>	<u>3,902,179</u>
FUND BALANCES			
Committed:			
Capital Projects	<u>10,116,348</u>	<u>12,139,061</u>	<u>22,255,409</u>
Total Fund Balances	<u>10,116,348</u>	<u>12,139,061</u>	<u>22,255,409</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	<u>\$ 11,597,241</u>	<u>\$ 14,560,347</u>	<u>\$ 26,157,588</u>

**DOWNINGTOWN AREA SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2025**

	<u>Capital Reserve Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
REVENUES			
Local Sources	\$ 929,387	\$ 575,296	\$ 1,504,683
State Sources	-	1,302,696	1,302,696
Total Revenues	<u>929,387</u>	<u>1,877,992</u>	<u>2,807,379</u>
EXPENDITURES			
Current			
Instruction	7,947	6,271,469	6,279,416
Support Services	-	602,702	602,702
Operation of Noninstructional Services	-	99,186	99,186
Facilities Acquisition, Construction, and Improvement Services	17,791,475	33,392,522	51,183,997
Total Expenditures	<u>17,799,422</u>	<u>40,365,879</u>	<u>58,165,301</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(16,870,035)	(38,487,887)	(55,357,922)
OTHER FINANCING SOURCES (USES)			
Refund of Prior Year Expenditures	-	27,957	27,957
Transfers In	-	8,337,326	8,337,326
Total Other Financing Sources (Uses)	<u>-</u>	<u>8,365,283</u>	<u>8,365,283</u>
NET CHANGE IN FUND BALANCES	(16,870,035)	(30,122,604)	(46,992,639)
Fund Balance - Beginning of Year	<u>26,986,383</u>	<u>42,261,665</u>	<u>69,248,048</u>
FUND BALANCE - END OF YEAR	<u>\$ 10,116,348</u>	<u>\$ 12,139,061</u>	<u>\$ 22,255,409</u>

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OTHER INFORMATION

**DOWNINGTOWN AREA SCHOOL DISTRICT
BORROWING BASE CALCULATION- GENERAL FUND
YEAR ENDED JUNE 30, 2025**

	<u>2023</u>	<u>2024</u>	<u>2025</u>
Gross Revenues Received - General Fund	\$ 263,469,374	\$ 277,784,859	\$ 288,313,023
Deductions Pursuant to Section 102 (c)(16) of Act 185 of 1972;			
(i) Subsidy - Rentals and Sinking Fund Payments	1,141,194	546,864	2,590,742
(ii) Nonrecurring Receipts	752,009	890,586	1,537,858
Total Deductions	<u>1,893,203</u>	<u>1,437,450</u>	<u>4,128,600</u>
 Total Revenues as Defined in Section (102(c)(16) of Act 185 of 1972	 <u>\$ 261,576,171</u>	 <u>\$ 276,347,409</u>	 <u>\$ 284,184,423</u>
 Total Revenues for Past Three Years	 <u>\$ 742,995,815</u>	 <u>\$ 785,568,345</u>	 <u>\$ 822,108,003</u>
 Borrowing Base - Average Annual Revenues	 <u>\$ 247,665,272</u>	 <u>\$ 261,856,115</u>	 <u>\$ 274,036,001</u>
 Debt Limit - 225% of Borrowing Base	 <u>\$ 557,246,861</u>	 <u>\$ 589,176,259</u>	 <u>\$ 616,581,002</u>

**DOWNINGTOWN AREA SCHOOL DISTRICT
COMPARATIVE SCHEDULES OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES- GENERAL FUND
YEAR ENDED JUNE 30, 2025**

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
REVENUES											
Local Sources	\$ 217,587,963	\$ 210,806,412	\$ 199,822,305	\$ 189,426,134	\$ 177,935,546	\$ 172,674,069	\$ 172,336,280	\$ 169,667,095	\$ 168,019,218	\$ 165,798,902	\$ 161,347,717
State Sources	65,571,417	61,513,658	59,611,939	56,302,669	53,930,959	52,437,987	50,286,113	50,224,146	50,415,422	43,445,079	40,489,476
Federal Sources	5,153,643	5,464,789	4,035,130	4,027,664	3,787,174	3,305,481	3,002,677	2,922,619	2,973,257	2,724,944	2,758,810
Total Revenues	<u>288,313,023</u>	<u>277,784,859</u>	<u>263,469,374</u>	<u>249,756,467</u>	<u>235,653,679</u>	<u>228,417,537</u>	<u>225,625,070</u>	<u>222,813,860</u>	<u>221,407,897</u>	<u>211,968,925</u>	<u>204,596,003</u>
EXPENDITURES											
Instruction	180,302,192	170,037,781	164,726,632	155,402,222	147,133,789	138,616,271	134,766,707	130,407,874	126,339,494	122,852,991	114,337,036
Support Services	87,112,008	80,853,123	75,263,561	71,165,099	66,798,832	63,990,979	63,073,821	60,274,071	60,692,658	58,164,456	54,859,555
Operation of Noninstructional Services	5,021,133	4,543,861	4,296,203	4,010,801	3,303,190	3,741,356	4,125,096	4,152,500	3,952,347	3,781,391	3,742,258
Facilities Acquisition, Construction, and Improvement Services	471,328	264,616	257,934	208,530	277,151	332,382	279,002	331,257	353,018	311,756	187,621
Debt Service	9,221,057	9,292,223	9,862,215	9,853,645	9,851,679	9,846,764	9,839,885	11,833,005	11,831,039	13,361,677	13,887,128
Total Expenditures	<u>282,127,718</u>	<u>264,991,604</u>	<u>254,406,545</u>	<u>240,640,297</u>	<u>227,364,641</u>	<u>216,527,752</u>	<u>212,084,511</u>	<u>206,998,707</u>	<u>203,168,556</u>	<u>198,472,271</u>	<u>187,013,598</u>
EXCESS OF REVENUES OVER EXPENDITURES	6,185,305	12,793,255	9,062,829	9,116,170	8,289,038	11,889,785	13,540,559	15,815,153	18,239,341	13,496,654	17,582,405
OTHER FINANCING SOURCES (USES)											
Transfers Out	(8,548,481)	(10,665,268)	(9,635,867)	(8,978,703)	(7,646,256)	(11,699,163)	(13,208,160)	(15,826,069)	(25,760,784)	(13,127,754)	(19,572,644)
Sale of/Compensation for Capital Assets	427,555	342,808	183,674	616,451	147,347	278,039	44,245	162,237	182,098	45,414	37,165
Insurance Recoveries	22,799	7,333	26,253	98,681	-	-	-	-	-	-	-
Refunds of Prior Years' Expenditures (Revenues)	74,712	-	37,429	277,978	106,946	117,085	122,639	201,532	69,585	(76,904)	119,098
Total Other Financing Sources (Uses)	<u>(8,023,415)</u>	<u>(10,315,127)</u>	<u>(9,388,511)</u>	<u>(7,985,593)</u>	<u>(7,391,963)</u>	<u>(11,304,039)</u>	<u>(13,041,276)</u>	<u>(15,462,300)</u>	<u>(25,509,101)</u>	<u>(13,159,244)</u>	<u>(19,416,381)</u>
NET CHANGE IN FUND BALANCE	(1,838,110)	2,478,128	(325,682)	1,130,577	897,075	585,746	499,283	352,853	(7,269,760)	337,410	(1,833,976)
Fund Balance - Beginning of Year	<u>22,959,580</u>	<u>20,481,452</u>	<u>20,807,134</u>	<u>19,676,557</u>	<u>18,779,482</u>	<u>18,193,736</u>	<u>17,694,453</u>	<u>17,341,600</u>	<u>24,611,360</u>	<u>24,273,950</u>	<u>26,107,926</u>
FUND BALANCE - END OF YEAR	<u>\$ 21,121,470</u>	<u>\$ 22,959,580</u>	<u>\$ 20,481,452</u>	<u>\$ 20,807,134</u>	<u>\$ 19,676,557</u>	<u>\$ 18,779,482</u>	<u>\$ 18,193,736</u>	<u>\$ 17,694,453</u>	<u>\$ 17,341,600</u>	<u>\$ 24,611,360</u>	<u>\$ 24,273,950</u>

**DOWNINGTOWN AREA SCHOOL DISTRICT
COMPARATIVE SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES— ORIGINAL BUDGET AND ACTUAL – GENERAL FUND
YEAR ENDED JUNE 30, 2025**

	2025		2024		2023		2022		2021	
	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual
REVENUES										
Local Sources	\$ 218,949,213	\$ 217,587,963	\$ 209,993,181	\$ 210,806,412	\$ 195,133,257	\$ 199,822,305	\$ 181,340,409	\$ 189,426,134	\$ 169,547,320	\$ 177,935,546
State Sources	64,103,200	65,571,417	59,859,299	61,513,658	58,676,563	59,611,939	54,655,660	56,302,669	52,608,923	53,930,959
Federal Sources	1,425,000	5,153,643	1,795,000	5,464,789	2,853,768	4,035,130	1,932,000	4,027,664	2,358,703	3,787,174
Total Revenues	<u>284,477,413</u>	<u>288,313,023</u>	<u>271,647,480</u>	<u>277,784,859</u>	<u>256,663,588</u>	<u>263,469,374</u>	<u>237,928,069</u>	<u>249,756,467</u>	<u>224,514,946</u>	<u>235,653,679</u>
EXPENDITURES										
Regular Programs	117,810,438	122,344,015	119,060,036	117,647,933	112,125,813	116,698,876	104,177,289	110,246,607	102,434,338	104,320,237
Special Programs	42,439,590	48,242,726	40,542,847	42,945,827	36,902,011	38,709,055	36,280,827	36,319,577	33,178,469	34,667,790
Vocational Programs	8,233,715	8,236,844	7,792,743	7,710,922	7,183,549	7,363,591	6,773,180	6,767,401	6,475,265	6,541,729
Other Instructional Programs	1,762,434	1,473,631	1,933,600	1,719,868	2,855,459	1,932,656	2,894,424	2,068,637	1,576,243	1,597,762
Nonpublic School Programs	12,000	4,976	12,000	13,231	14,845	22,454	7,651	-	36,700	6,271
Pupil Personnel Services	12,488,145	12,422,669	12,101,139	12,152,641	11,877,920	11,539,399	9,848,503	10,099,610	8,853,101	9,215,208
Instructional Staff Services	8,634,246	9,840,154	8,356,284	9,031,033	8,030,321	8,172,422	7,171,356	7,822,240	5,862,613	7,588,577
Administrative Services	15,521,043	14,371,680	15,141,766	14,275,967	14,119,346	14,446,647	13,641,707	14,177,182	12,631,129	13,326,182
Pupil Health	4,178,909	4,855,513	3,932,417	4,177,356	3,515,562	3,536,281	3,298,029	3,308,864	3,141,540	3,032,396
Business Services	2,727,059	2,850,843	2,580,098	2,676,013	2,432,414	2,509,681	2,277,321	2,374,349	2,246,329	2,161,333
Operation and Maintenance of Plant Services	17,854,917	20,156,344	17,009,458	18,132,161	15,696,559	16,925,355	15,195,468	15,709,600	15,333,193	15,879,519
Student Transportation Services	14,419,329	16,307,968	12,880,171	14,384,547	13,285,465	12,661,985	13,439,483	12,123,692	13,397,833	10,602,071
Central and Other Support Services	6,315,015	6,306,837	6,449,592	6,023,405	5,951,278	5,471,791	5,207,479	5,549,562	4,454,269	4,993,546
Student Activities	4,829,452	4,925,523	4,236,934	4,481,696	4,139,714	4,249,779	4,053,340	3,958,958	3,986,503	3,288,501
Community Services	90,029	95,610	170,921	62,165	67,075	46,424	65,862	51,843	89,250	14,689
Facilities Acquisition, Construction, and Improvement	505,000	471,328	286,000	264,616	280,000	257,934	210,000	208,530	280,000	277,151
Debt Service	8,010,000	9,221,057	8,000,000	9,292,223	8,000,000	9,862,215	8,000,000	9,853,645	8,000,000	9,851,679
Total Expenditures	<u>265,831,321</u>	<u>282,127,718</u>	<u>260,486,006</u>	<u>264,991,604</u>	<u>246,477,331</u>	<u>254,406,545</u>	<u>232,541,919</u>	<u>240,640,297</u>	<u>221,976,775</u>	<u>227,364,641</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	18,646,092	6,185,305	11,161,474	12,793,255	10,186,257	9,062,829	5,386,150	9,116,170	2,538,171	8,289,038
OTHER FINANCING SOURCES (USES)										
Sale of/Compensation for Capital Assets	200,000	427,555	500,000	342,808	600,000	183,674	100,000	616,451	200,000	147,347
Insurance Recoveries	-	22,799	-	7,333	-	26,253	-	98,681	-	-
Refund of Prior Year Expenditures (Revenues)	-	74,712	(10,000)	-	60,000	37,429	10,000	277,978	-	106,946
Transfers Out	(15,224,308)	(8,548,481)	(9,226,200)	(10,665,268)	(11,103,425)	(9,635,867)	(7,884,200)	(8,978,703)	-	(7,646,256)
Budgetary Reserve	(4,043,220)	-	(3,750,000)	-	(3,825,830)	-	(3,645,000)	-	(8,810,685)	-
Total Other Financing Sources (Uses)	<u>(19,067,528)</u>	<u>(8,023,415)</u>	<u>(12,486,200)</u>	<u>(10,315,127)</u>	<u>(14,269,255)</u>	<u>(9,388,511)</u>	<u>(11,419,200)</u>	<u>(7,985,593)</u>	<u>(8,610,685)</u>	<u>(7,391,963)</u>
NET CHANGE IN FUND BALANCE	(421,436)	(1,838,110)	(1,324,726)	2,478,128	(4,082,998)	(325,682)	(6,033,050)	1,130,577	(6,072,514)	897,075
Fund Balance - Beginning of Year	22,959,580	22,959,580	20,481,452	20,481,452	20,807,134	20,807,134	19,676,557	19,676,557	18,779,482	18,779,482
FUND BALANCE - END OF YEAR	<u>\$ 22,538,144</u>	<u>\$ 21,121,470</u>	<u>\$ 19,156,726</u>	<u>\$ 22,959,580</u>	<u>\$ 16,724,136</u>	<u>\$ 20,481,452</u>	<u>\$ 13,643,507</u>	<u>\$ 20,807,134</u>	<u>\$ 12,706,968</u>	<u>\$ 19,676,557</u>

**DOWNINGTOWN AREA SCHOOL DISTRICT
COMPARATIVE SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES– ORIGINAL BUDGET AND ACTUAL – GENERAL FUND (CONTINUED)
YEAR ENDED JUNE 30, 2025**

	2020		2019		2018		2017		2016	
	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual
REVENUES										
Local Sources	\$ 172,858,820	\$ 172,674,069	\$ 168,769,339	\$ 172,336,280	\$ 167,346,585	\$ 169,667,095	\$ 163,745,222	\$ 168,019,218	\$ 158,782,552	\$ 165,798,902
State Sources	52,134,292	52,437,987	50,500,466	50,286,113	48,250,113	50,224,146	46,198,778	50,415,422	43,095,448	43,445,079
Federal Sources	1,135,000	3,305,481	1,270,000	3,002,677	1,128,000	2,922,619	1,168,000	2,973,257	925,000	2,724,944
Total Revenues	<u>226,128,112</u>	<u>228,417,537</u>	<u>220,539,805</u>	<u>225,625,070</u>	<u>216,724,698</u>	<u>222,813,860</u>	<u>211,112,000</u>	<u>221,407,897</u>	<u>202,803,000</u>	<u>211,968,925</u>
EXPENDITURES										
Regular Programs	99,428,734	98,038,430	92,178,760	96,559,508	101,187,500	94,482,875	97,996,065	90,304,527	93,665,914	88,830,399
Special Programs	31,655,377	32,559,701	30,071,679	30,413,690	30,756,460	28,808,958	29,791,057	28,905,873	27,734,555	26,945,686
Vocational Programs	6,154,599	6,273,664	5,735,778	5,810,180	5,708,799	5,657,676	6,270,044	5,553,718	6,157,309	5,661,706
Other Instructional Programs	1,744,486	1,739,711	1,816,672	1,942,120	1,674,763	1,422,288	1,744,527	1,557,847	1,582,643	1,413,430
Nonpublic School Programs	38,500	4,765	37,392	41,209	5,000	36,077	12,000	17,529	15,000	1,770
Pupil Personnel Services	8,518,095	9,096,830	8,063,628	8,148,107	7,875,328	7,795,655	7,480,586	7,443,942	7,022,511	7,033,625
Instructional Staff Services	6,347,205	6,867,839	6,106,092	7,097,655	5,921,418	6,231,579	5,738,259	6,262,051	5,521,646	5,525,255
Administrative Services	13,370,486	12,316,951	12,279,091	11,872,379	12,175,347	10,636,060	12,104,043	12,550,594	11,449,044	11,436,417
Pupil Health	3,013,269	2,744,747	2,949,147	2,808,862	3,022,009	2,825,577	2,876,200	2,791,701	2,846,521	2,583,197
Business Services	2,471,992	2,133,675	2,304,020	2,405,528	2,254,580	2,159,612	2,041,382	1,981,294	1,895,079	1,692,735
Operation and Maintenance of Plant Services	15,331,601	14,511,209	14,820,790	14,130,699	14,998,184	14,018,196	14,851,685	14,116,920	14,335,773	14,599,437
Student Transportation Services	12,801,555	10,990,897	11,976,434	12,212,453	11,821,037	11,543,650	11,371,606	11,259,811	11,084,751	11,378,180
Central and Other Support Services	4,759,516	5,328,831	4,552,692	4,398,138	4,662,983	5,063,742	4,387,526	4,286,345	4,143,691	3,915,610
Student Activities	3,850,814	3,674,686	3,776,780	4,045,151	3,674,876	4,066,865	3,493,302	3,874,670	3,299,563	3,706,256
Community Services	84,660	66,670	87,000	79,945	81,716	85,635	83,718	77,677	44,000	75,135
Facilities Acquisition, Construction, and Improvement	310,000	332,382	310,000	279,002	360,000	331,257	350,000	353,018	485,000	311,756
Debt Service	10,000,000	9,846,764	10,000,000	9,839,885	10,090,000	11,833,005	10,020,000	11,831,039	15,500,000	13,361,677
Total Expenditures	<u>219,880,889</u>	<u>216,527,752</u>	<u>207,065,955</u>	<u>212,084,511</u>	<u>216,270,000</u>	<u>206,998,707</u>	<u>210,612,000</u>	<u>203,168,556</u>	<u>206,783,000</u>	<u>198,472,271</u>
EXCESS OF REVENUES OVER EXPENDITURES	6,247,223	11,889,785	13,473,850	13,540,559	454,698	15,815,153	500,000	18,239,341	(3,980,000)	13,496,654
OTHER FINANCING SOURCES (USES)										
Sale of/Compensation for Capital Assets	89,700	278,039	90,000	44,245	45,302	162,237	-	182,098	-	45,414
Insurance Recoveries	-	-	-	-	-	-	-	-	-	-
Refund of Prior Year Expenditures (Revenues)	25,000	117,085	(50,000)	122,639	-	201,532	-	69,585	(20,000)	(76,904)
Transfers Out	(1,500,000)	(11,699,163)	(7,950,000)	(13,208,160)	-	(15,826,069)	-	(25,760,784)	-	(13,127,754)
Budgetary Reserve	(4,861,923)	-	(5,563,850)	-	(500,000)	-	(500,000)	-	(500,000)	-
Total Other Financing Sources (Uses)	<u>(6,247,223)</u>	<u>(11,304,039)</u>	<u>(13,473,850)</u>	<u>(13,041,276)</u>	<u>(454,698)</u>	<u>(15,462,300)</u>	<u>(500,000)</u>	<u>(25,509,101)</u>	<u>(520,000)</u>	<u>(13,159,244)</u>
NET CHANGE IN FUND BALANCE	-	585,746	-	499,283	-	352,853	-	(7,269,760)	(4,500,000)	337,410
Fund Balance - Beginning of Year	<u>18,193,736</u>	<u>18,193,736</u>	<u>17,694,453</u>	<u>17,694,453</u>	<u>17,341,600</u>	<u>17,341,600</u>	<u>24,611,360</u>	<u>24,611,360</u>	<u>24,273,950</u>	<u>24,273,950</u>
FUND BALANCE - END OF YEAR	<u>\$ 18,193,736</u>	<u>\$ 18,779,482</u>	<u>\$ 17,694,453</u>	<u>\$ 18,193,736</u>	<u>\$ 17,341,600</u>	<u>\$ 17,694,453</u>	<u>\$ 24,611,360</u>	<u>\$ 17,341,600</u>	<u>\$ 19,773,950</u>	<u>\$ 24,611,360</u>

**DOWNTOWNS AREA SCHOOL DISTRICT
COMPARATIVE SCHEDULES OF REVENUES AND OTHER
FINANCING SOURCES – GENERAL FUND
YEAR ENDED JUNE 30, 2025**

	2025	2024	2023	2022	2021
REVENUES					
Local Sources					
Current Real Estate Taxes	\$ 173,852,390	\$ 166,998,655	\$ 157,626,568	\$ 148,850,828	\$ 142,289,601
Interim Real Estate Taxes	2,207,143	1,929,895	5,008,320	4,818,352	3,372,342
Public Utility Realty Tax	182,376	164,434	168,584	166,162	161,900
Act 511 Local Services Taxes	251,126	252,637	242,944	233,578	206,962
Act 511 Earned Income Taxes	23,777,575	23,370,511	22,080,903	21,276,193	19,519,517
Act 511 Real Estate Transfer Taxes	3,694,909	3,910,412	3,760,721	5,021,225	4,868,084
Delinquent Real Estate Taxes	2,481,771	2,554,432	2,778,381	3,624,929	3,171,913
Earnings on Investments	5,873,078	6,476,891	3,732,764	245,166	531,235
Revenues from Intermediary Sources	2,048,121	2,032,280	1,888,110	2,546,557	2,070,967
Rentals	524,534	436,047	419,464	406,731	62,348
Tuition - Regular and Summer School	41,400	65,756	58,650	63,600	94,697
Student Activities	2,258,387	1,905,742	1,910,220	2,062,913	1,434,586
Miscellaneous Revenue	395,153	573,516	146,676	109,900	151,394
Total Revenues from Local Sources	<u>217,587,963</u>	<u>210,671,208</u>	<u>199,822,305</u>	<u>189,426,134</u>	<u>177,935,546</u>
State Sources					
Basic Education	19,463,592	18,764,318	17,183,070	15,732,745	15,213,418
Charter Schools	175,054	-	-	-	-
Tuition Court Placed	50,713	43,151	79,824	109,088	153,276
Special Education	7,062,410	6,861,557	6,826,949	6,528,454	6,146,692
Transportation	4,078,569	3,808,228	3,572,266	3,710,133	4,049,334
Rental and Sinking Fund Payments	729,065	726,681	1,298,173	1,773,613	1,236,671
Medical and Dental Services	311,715	310,803	307,464	301,906	305,200
State Property Tax Reduction Allocation	5,825,176	4,770,678	4,904,389	4,010,319	3,983,275
Other State Grants	264,038	438,036	-	-	-
Safe Schools	-	-	-	-	25,000
Ready to Learn Grant	1,736,290	874,969	874,969	874,969	874,969
Social Security Subsidy	4,606,808	4,376,318	4,228,503	4,005,252	3,866,989
Retirement Subsidy	21,267,987	20,538,919	20,336,332	19,256,190	18,076,135
Incarcerated Education	-	-	-	-	-
Total Revenues from State Sources	<u>65,571,417</u>	<u>61,513,658</u>	<u>59,611,939</u>	<u>56,302,669</u>	<u>53,930,959</u>
Federal Sources					
Title I - Low Income	571,882	359,341	306,640	313,744	318,047
Title II - Improving Teaching Quality	139,214	207,710	164,333	152,973	218,224
Title III - English Language	70,533	64,356	42,385	32,514	34,577
Title IV- Student Support and Enrichment	29,636	33,208	41,274	-	25,751
Qualified School Construction Bond (QSCB)	1,861,677	1,880,665	1,862,215	1,853,645	1,851,679
All Other Federal Grants	2,345,101	2,013,798	841,532	644,627	561,186
Medical Assistance/Administrative	77,644	55,425	24,742	31,758	32,180
COVID-19 Grants	57,956	850,286	752,009	998,403	745,530
Total Revenues from Federal Sources	<u>5,153,643</u>	<u>5,464,789</u>	<u>4,035,130</u>	<u>4,027,664</u>	<u>3,787,174</u>
Other Financing Sources					
Sale of/Compensation for Capital Assets	427,555	342,808	183,674	616,451	227,555
Insurance Recoveries	22,799	7,333	26,253	98,681	-
Refunds of Prior Years Expenditures	74,712	135,204	45,767	278,505	74,712
Total Other Financing Sources	<u>525,066</u>	<u>485,345</u>	<u>255,694</u>	<u>993,637</u>	<u>302,267</u>
Total Revenues and Other Financing Sources	<u>\$ 288,838,089</u>	<u>\$ 278,135,000</u>	<u>\$ 263,725,068</u>	<u>\$ 250,750,104</u>	<u>\$ 235,955,946</u>

**DOWNTOWNTOWN AREA SCHOOL DISTRICT
COMPARATIVE SCHEDULES OF REVENUES AND OTHER
FINANCING SOURCES – GENERAL FUND (CONTINUED)
YEAR ENDED JUNE 30, 2025**

	2020	2019	2018	2017	2016
REVENUES					
Local Sources					
Current Real Estate Taxes	\$ 141,921,935	\$ 139,238,919	\$ 137,897,085	\$ 136,816,786	\$ 134,549,959
Interim Real Estate Taxes	2,074,669	2,727,132	2,281,663	3,448,417	4,121,201
Public Utility Realty Tax	150,294	166,470	166,089	176,715	179,587
Act 511 Local Services Taxes	224,184	211,683	220,294	232,779	212,407
Act 511 Earned Income Taxes	16,935,044	16,976,574	16,475,316	16,440,768	15,700,345
Act 511 Real Estate Transfer Taxes	2,871,706	3,796,236	2,999,767	2,937,027	3,348,454
Delinquent Real Estate Taxes	2,499,954	2,246,920	3,520,845	2,964,014	3,332,783
Earnings on Investments	1,857,522	2,224,533	1,380,428	732,214	475,958
Revenues from Intermediary Sources	1,697,945	1,813,562	1,854,021	1,927,828	1,670,659
Rentals	469,922	536,340	476,662	374,630	494,672
Tuition - Regular and Summer School	40,914	132,874	255,867	38,956	71,276
Student Activities	1,812,144	2,079,732	1,930,289	1,707,287	1,430,436
Miscellaneous Revenue	117,836	185,305	208,769	221,797	211,165
Total Revenues from Local Sources	<u>172,674,069</u>	<u>172,336,280</u>	<u>169,667,095</u>	<u>168,019,218</u>	<u>165,798,902</u>
State Sources					
Basic Education	15,213,438	14,785,800	14,607,845	14,346,522	13,870,652
Charter School	-	-	-	-	-
Tuition Court Placed	776,402	79,034	137,120	157,552	115,763
Special Education	5,804,520	5,901,099	6,131,365	5,849,908	5,688,100
Transportation	3,618,939	3,746,544	3,894,611	3,838,040	4,016,650
Rental and Sinking Fund Payments	1,248,896	1,263,351	2,252,395	4,842,591	591,455
Medical and Dental Services	305,654	329,923	285,534	288,748	288,659
State Property Tax Reduction Allocation	3,954,207	3,875,394	3,939,786	3,906,948	3,808,899
Other State Grants	-	51,416	1,663	-	6,195
Safe Schools	45,000	25,000	-	-	9,780
Ready to Learn Grant	874,969	874,969	874,969	874,969	874,969
Social Security Subsidy	3,663,307	3,588,740	3,332,110	3,218,331	3,182,939
Retirement Subsidy	16,932,655	15,764,843	14,766,748	13,091,813	10,991,018
Incarcerated Education	-	-	-	-	-
Total Revenues from State Sources	<u>52,437,987</u>	<u>50,286,113</u>	<u>50,224,146</u>	<u>50,415,422</u>	<u>43,445,079</u>
Federal Sources					
Title I - Low Income	273,480	339,732	294,189	356,259	257,694
Title II - Improving Teaching Quality	199,135	173,142	233,281	147,573	135,367
Title III - English Language	65,992	45,514	39,921	31,686	27,623
Title IV - Student Support and Enrichment	51,456	-	1,687	-	-
Qualified School Construction Bond (QSCB)	1,846,765	1,839,885	1,833,005	1,831,039	1,827,108
All Other Federal Grants	568,980	576,693	509,899	594,897	452,998
Medical Assistance/Administrative	28,671	27,711	10,637	11,803	24,154
COVID-19 Grants	271,002	-	-	-	-
Total Revenues from Federal Sources	<u>3,305,481</u>	<u>3,002,677</u>	<u>2,922,619</u>	<u>2,973,257</u>	<u>2,724,944</u>
Other Financing Sources					
Sale of/Compensation for Capital Assets	278,039	44,245	162,237	182,098	45,414
Insurance Recoveries	-	-	-	-	-
Refunds of Prior Years Expenditures	117,370	141,018	201,532	88,522	64,835
Total Other Financing Sources	<u>395,409</u>	<u>185,263</u>	<u>363,769</u>	<u>270,620</u>	<u>110,249</u>
Total Revenues and Other Financing Sources	<u>\$ 228,812,946</u>	<u>\$ 225,810,333</u>	<u>\$ 223,177,629</u>	<u>\$ 221,678,517</u>	<u>\$ 212,079,174</u>

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SINGLE AUDIT

**DOWNINGTOWN AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2025**

Federal Grantor/Pass-Through Grantor/Project Title	Source Code	Federal ALN Number	Pass- Through Grantor's Number	Grant Period Beginning/ Ending Dates	Grant Amount	Total Received for Year	Accrued (Deferred) Revenue July 1, 2024	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue June 30, 2025	Passed Through to Subrecipients
U.S. Department of Education											
Passed Through the Pennsylvania Department of Education											
Title I - Improving Basic Programs	I	84.010	013-240121	07/01/23 - 09/30/24	\$ 448,925	\$ 237,595	\$ 57,092	\$ 180,503	\$ 180,503	\$ -	\$ -
Title I - Improving Basic Programs	I	84.010	013-250121	07/01/24 - 09/30/25	420,624	305,169	-	391,379	391,379	86,210	-
Total ALN #84.010						542,764	57,092	571,882	571,882	86,210	-
Title II - Improving Teacher Quality	I	84.367	020-240121	07/01/23 - 09/30/24	197,132	79,064	30,969	48,095	48,095	-	-
Title II - Improving Teacher Quality	I	84.367	020-250121	07/01/24 - 09/30/25	165,478	107,794	-	91,119	91,119	(16,675)	-
Total ALN #84.367						186,858	30,969	139,214	139,214	(16,675)	-
Title III - Language Instruction LEP/Immigrant Students	I	84.365	010-240121	07/01/23 - 09/30/24	56,756	27,032	11,900	15,132	15,132	-	-
Title III - Language Instruction LEP/Immigrant Students	I	84.365	010-250121	07/01/24 - 09/30/25	56,787	49,216	-	55,401	55,401	6,185	-
Total ALN #84.365						76,248	11,900	70,533	70,533	6,185	-
Title IV Student Support & Academic Enrichment	I	84.424	144-250121	07/01/24 - 09/30/25	33,808	24,793	-	29,636	29,636	4,843	-
COVID-19 American Rescue Plan Act Elementary and Secondary School Emergency Relief	I	84.425U	223-210121	03/13/20 - 09/30/24	2,497,710	181,652	128,704	52,948	52,948	-	-
COVID-19 American Rescue Plan Act Elementary and Secondary School Emergency Relief - Homeless Children and Youth	I	84.425W	181-212122	07/01/21 - 09/30/24	16,267	14,182	9,174	5,008	5,008	-	-
Total ALN #84.425						195,834	137,878	57,956	57,956	-	-
Passed Through the Chester County I.U.											
I.D.E.A. - Part B, Section 611	I	84.027	062-240024	07/01/23 - 06/30/24	2,024,846	419,420	419,420	-	-	-	-
I.D.E.A. - Part B, Section 611	I	84.027	062-250024	07/01/24 - 06/30/25	2,039,726	1,770,790	-	2,039,726	2,039,726	268,936	-
Total ALN #84.027						2,190,210	419,420	2,039,726	2,039,726	268,936	-
I.D.E.A. - Part B, Section 619	I	84.173	131-250024	07/01/24 - 06/30/25	8,395	8,395	-	8,395	8,395	-	-
Total U.S. Department of Education						3,225,102	657,259	2,917,342	2,917,342	349,499	-
U.S. Department of Health and Human Services											
Passed Through the Pennsylvania Department of Public Welfare											
Medical Assistance Program	I	93.778	N/A	07/01/23 - 06/30/24	37,265	4,897	4,897	-	-	-	-
Medical Assistance Program	I	93.778	N/A	07/01/24 - 06/30/25	77,644	77,644	-	77,644	77,644	-	-
Total ALN #93.778						82,541	4,897	77,644	77,644	-	-
Total U.S. Department of Health and Human Services						82,541	4,897	77,644	77,644	-	-
U.S. Department of Treasury											
Passed Through the Pennsylvania Commission on Crime and Delinquency											
COVID SFR School Mental Health Grant	I	21.027	2023-CM-01-42735	03/01/24-12/31/25	263,053	74,817	-	177,206	177,206	102,389	-

**DOWNINGTOWN AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2025**

Federal Grantor/Pass-Through Grantor/Project Title	Source Code	Federal ALN Number	Pass- Through Grantor's Number	Grant Period Beginning/ Ending Dates	Grant Amount	Total Received for Year	Accrued (Deferred) Revenue July 1, 2024	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue June 30, 2025	Passed Through to Subrecipients
U.S. Department of Agriculture											
Passed Through the Pennsylvania Department of Education Breakfast Program	I	10.553	N/A	07/01/24 - 06/30/25	N/A	175,974	-	175,974	175,974	-	-
National School Lunch Program	I	10.555	N/A	07/01/24 - 06/30/25	N/A	638,788	-	638,788	638,788	-	-
Supply Chain Assistance	I	10.555	N/A	07/01/22 - 06/30/23	N/A	-	(191,140)	137,707	137,707	(53,433)	-
Supply Chain Assistance	I	10.555	N/A	07/01/23 - 06/30/24	N/A	-	(204,460)	-	-	(204,460)	-
Passed Through the Pennsylvania Department of Agriculture National School Lunch Program	I	10.555	N/A	07/01/24 - 06/30/25	N/A	365,981	(4,317)	369,123	369,123	(1,175)	-
Total ALN #10.555						1,004,769	(399,917)	1,145,618	1,145,618	(259,068)	-
Total U.S. Department of Agriculture						1,180,743	(399,917)	1,321,592	1,321,592	(259,068)	-
Total Federal Awards						<u>\$ 4,563,203</u>	<u>\$ 262,239</u>	<u>\$ 4,493,784</u>	<u>\$ 4,493,784</u>	<u>\$ 192,820</u>	<u>\$ -</u>
Special Education Cluster (IDEA) (ALN's #84.027 and #84.173)						<u>\$ 2,198,605</u>	<u>\$ 419,420</u>	<u>\$ 2,048,121</u>	<u>\$ 2,048,121</u>	<u>\$ 268,936</u>	<u>\$ -</u>
Child Nutrition Cluster (ALN's #10.553 and #10.555)						<u>\$ 1,180,743</u>	<u>\$ (399,917)</u>	<u>\$ 1,321,592</u>	<u>\$ 1,321,592</u>	<u>\$ (259,068)</u>	<u>\$ -</u>
Medicaid Cluster (ALN #93.778)						<u>\$ 82,541</u>	<u>\$ 4,897</u>	<u>\$ 77,644</u>	<u>\$ 77,644</u>	<u>\$ -</u>	<u>\$ -</u>

Footnotes

- a) Total amount of commodities received
- b) Beginning inventory July 1
- c) Total amount of commodities used
- d) Ending inventory June 30

Source Codes

- D - Direct Funding
- I - Indirect Funding
- ALN - Assistance Listing Number

**DOWNINGTOWN AREA SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2025**

NOTE 1 BASIS OF PRESENTATION

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

NOTE 2 BASIS OF ACCOUNTING

The District uses the modified accrual method of recording transactions except as noted for the accounting of donated commodities in Note 3. Revenues are recorded when measurable and available. Expenditures are recorded when incurred.

NOTE 3 NONMONETARY FEDERAL AWARDS – DONATED FOOD

The Commonwealth of Pennsylvania distributes federal surplus food to institutions (schools, hospitals, and prisons) and to the needy. Expenditures reported in the Schedule under ALN #10.555 National School Lunch Program and passed through the Pennsylvania Department of Agriculture represent federal surplus food consumed by the District during the 2024-2025 fiscal year.

NOTE 4 ACCESS PROGRAM

The District participates in the ACCESS Program which 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, 2025 was \$2,167,895.

NOTE 5 QUALIFIED SCHOOL CONSTRUCTION BONDS PROGRAM

The District participates in the Qualified School Construction Bonds (QSCB) program sponsored by the State Public School Building Authority (SPSBA). In conjunction with the QSCB Program, the District receives subsidy reimbursements for a portion of the interest payments made under its loan agreements with the SPSBA. Reimbursements are federal source revenues but are not considered federal financial assistance. The amount of QSCB subsidy payments recognized for the year ended June 30, 2025 was \$1,861,677.

NOTE 6 INDIRECT COSTS

The District has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.



**INDEPENDENT AUDITORS' 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***

Board of School Directors
Downingtown Area School District
Downingtown, 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 Downingtown Area School District, Exton, Pennsylvania (the District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 30, 2026.

Report on 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) as a basis for designing 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 District's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



CliftonLarsonAllen LLP

King of Prussia, Pennsylvania
March 30, 2026



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of School Directors
Downingtown Area School District
Downingtown, Pennsylvania

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Downingtown Area School District's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2025. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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 each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

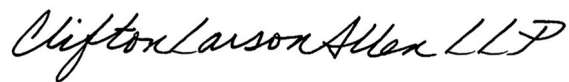
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a 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.

Board of School Directors
Downingtown Area School District

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.



CliftonLarsonAllen LLP

King of Prussia, Pennsylvania
March 30, 2026

**DOWNINGTOWN AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2025**

Section I – Summary of the Auditors’ Results

Basic Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
3. Noncompliance material to basic financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes x no

Identification of Major Federal Programs

Assistance Listing Number(s)	Name of Federal Program or Cluster
Child Nutrition Cluster: 10.553 10.555	National School Breakfast Program National School Lunch Program

- Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000
- Auditee qualified as low-risk auditee? x yes _____ no

**DOWNINGTOWN AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2025**

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Federal Award Findings and Questioned Costs

Our audit did not disclose any matters required to be reported in accordance with 2 *CFR 200.516(a)*.



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