



AUDIT REPORT

COATESVILLE AREA SCHOOL DISTRICT

Coatesville, Pennsylvania

June 30, 2010

COATESVILLE AREA SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

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March 11, 2011

Board of School Directors
Coatesville Area School District
Coatesville, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Coatesville Area School District, Coatesville, Pennsylvania, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Coatesville Area School District's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year summarized comparative information has been derived from the District's 2009 financial statements and, in our report dated January 12, 2010, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Coatesville Area School District, Coatesville, Pennsylvania, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2011, on our consideration of Coatesville Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of School Directors
Coatesville Area School District

The management's discussion and analysis on pages 3 through 13 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Coatesville Area School District's basic financial statements. The accompanying schedule of expenditures of federal awards and certain state grants is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Nonprofit Organizations," and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

COATESVILLE AREA SCHOOL DISTRICT
Coatesville, Pennsylvania

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

JUNE 30, 2010

The discussion and analysis of the financial performance of Coatesville Area School District (the "District") provides an overall review of the District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers also should review the basic financial statements and the notes thereto to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

The District's unrestricted net assets decreased by \$8.8 million, due primarily to an increase in the cost of operations as it relates to salaries and expenditures. These expenses increased by approximately \$6.7 million. Program revenues accounted for \$32 million, or 23 percent of total revenues (\$138 million), and general revenues accounted for \$106 million, or 77 percent.

The general fund reported a fund balance of \$4.8 million, a decrease from the previous year which reported a fund balance of \$12.5 million. The decrease in the general fund balance totaling \$7.8 million was primarily the result of its planned reduction of \$2.5 million, one-time early retirement incentive plan expenditures of \$1.5 million to reduce expenditures in future years, special education expenditures that exceeded budget by \$4.2 million, offset by an increase in tax revenues and an increase in federal revenues related to the American Recovery and Reinvestment Act.

The governmental fund balances decreased to \$11.6 million from \$20.2 million in the previous fiscal year mostly as a result of an increase in the cost of operations in the general fund and continued approved construction projects. Even with this significant decrease in fund balance, the District was able to achieve or maintain:

- The continued major renovation projects at its Coatesville Area High School campus.
- The planning and beginning construction phases of the North and South Brandywine Middle Schools.
- The continued planning of the District's elementary schools.
- Tutoring programs.
- New comprehensive curricula programs to improve academic achievement.
- Increased staff development.
- Greater use of targeted differentiated instruction, deeper data analysis of academic performance assessments and increased monitoring of students' academic progress.

COATESVILLE AREA SCHOOL DISTRICT
Coatesville, Pennsylvania

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONTD)

JUNE 30, 2010

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Assets and Statement of Activities

The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its overall activities. These statements include all the assets and liabilities of the District (except for fiduciary funds held in trust for student purposes), using the accrual basis of accounting similar to the accounting used by private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them during the fiscal year. The change in net assets provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as the District's property tax base, current property tax laws, student enrollment growth and facility conditions in arriving at a conclusion regarding the overall health of the District.

ENTITY-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$3.3 million at the close of the most recent fiscal year. In the prior year, assets exceeded liabilities by \$8.0 million.

The largest portion of the District's total net assets is its investment in capital assets (\$1.8 million), net of related debt. The District uses capital assets to provide services; consequently, these assets are not available for future spending. 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.

A comparative analysis of fiscal year 2009 to 2010 follows:

NET ASSETS

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Assets:						
Current and other assets	\$ 30,171,622	\$ 37,542,363	\$ 278,467	\$ 286,430	\$ 30,450,089	\$ 36,167,527
Capital assets	<u>172,671,186</u>	<u>152,909,375</u>	<u>247,073</u>	<u>273,375</u>	<u>172,918,259</u>	<u>154,844,016</u>
TOTAL ASSETS	<u>\$202,842,808</u>	<u>\$190,451,738</u>	<u>\$ 525,540</u>	<u>\$ 559,805</u>	<u>\$203,368,348</u>	<u>\$191,011,543</u>
Liabilities and Net Assets:						
Current liabilities	\$ 24,230,442	\$ 15,813,170	\$ 75,694	\$ 26,224	\$ 24,306,136	\$ 15,839,394
Long-term liabilities	<u>175,618,815</u>	<u>167,073,312</u>	<u>98,058</u>	<u>92,944</u>	<u>175,716,873</u>	<u>167,166,256</u>
Total Liabilities	<u>199,849,257</u>	<u>182,886,482</u>	<u>173,752</u>	<u>119,168</u>	<u>200,023,009</u>	<u>183,005,650</u>

COATESVILLE AREA SCHOOL DISTRICT
Coatesville, Pennsylvania

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)

JUNE 30, 2010

(continued)	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Net Assets:						
Invested in capital assets, net of debt	1,573,362	(3,125,697)	247,073	273,375	1,820,435	(2,852,322)
Restricted	681,831	1,198,741	-	-	681,831	1,198,741
Unrestricted	738,358	9,492,212	104,715	167,262	843,073	9,659,474
Total Net Assets	<u>2,993,551</u>	<u>7,565,256</u>	<u>351,788</u>	<u>440,637</u>	<u>3,345,339</u>	<u>8,005,893</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$202,842,808</u>	<u>\$190,451,738</u>	<u>\$ 525,540</u>	<u>\$ 559,805</u>	<u>\$203,368,348</u>	<u>\$191,011,543</u>

While the District experienced a \$500 thousand decrease in its restricted net assets as a result of decreased capital reserve funds, it also experienced an \$8.8 million decrease in its unrestricted net assets as a result of an increase in the cost of operations related to salaries and benefits, which resulted in less cash on hand at year end, as well as an increase in accumulated depreciation for the District's depreciable assets. The District's investment in capital assets, net of related debt, increased by \$4.7 million as a result of the District paying off the debt used to acquire the capital assets faster than the capital assets are being depreciated, as well as those assets that were acquired without the issuance of debt.

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The table below reflects the cost of program services and the net cost of those services after taking into account the program revenues for the governmental activities.

STATEMENT OF ACTIVITIES

	<u>Total Cost of Services 2010</u>	<u>Net Cost of Services 2010</u>	<u>Total Cost of Services 2009</u>	<u>Net Cost of Services 2009</u>
PROGRAM EXPENSES				
Governmental Activities:				
Instruction	\$ 90,318,770	\$ 67,456,928	\$ 83,309,091	\$ 63,933,938
Instructional staff support	11,209,222	10,763,839	11,190,438	10,760,137
Administration	10,241,375	9,951,809	9,624,928	9,359,550
Maintenance	11,241,457	10,930,288	11,723,614	11,422,224
Pupil transportation	8,607,031	3,624,862	8,897,633	3,958,858
Student activities	1,209,224	1,091,048	1,207,588	1,091,079
Community services	55,266	39,761	41,018	(43,014)
Interest and fiscal charges	6,794,296	6,431,640	6,776,790	5,884,417
TOTALS	<u>\$139,676,641</u>	<u>\$110,290,175</u>	<u>\$132,771,100</u>	<u>\$106,367,189</u>
Business-type Activities:				
Food service	<u>\$ 2,742,066</u>	<u>\$ 90,580</u>	<u>\$ 2,950,710</u>	<u>\$ 337,809</u>

The net cost of services for instruction increased from fiscal year 2009 to 2010 as a result of increased salaries and benefits stemming from collective bargaining agreements, increased charter school tuition expenditures and one-time early retirement incentive plan expenditures to reduce expenditures in future years.

COATESVILLE AREA SCHOOL DISTRICT
Coatesville, Pennsylvania

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONTD)

JUNE 30, 2010

The net cost of administration increased as a result of increased salaries and benefits stemming from collective bargaining agreements, increased staff development expenditures and one-time early retirement incentive plan expenditures to reduce expenditures in future years.

The net cost of services for maintenance decreased due primarily to deregulation in the energy industry, enabling the District to shop for lower-cost providers.

The net cost of pupil transportation decreased as a result of a new contract reached with the District's major transportation provider.

The increase in the net cost of services for interest on long-term debt was the result of an increase in debt obligations, offset by a decrease in rental/sinking fund subsidy revenue.

The Food Service Fund's net costs decreased as a result of a reduction in benefit costs stemming from a new collective bargaining agreement.

CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		Totals	
	2010	2009	2010	2009	2010	2009
REVENUES						
Program Revenues:						
Charges for services	\$ 354,344	\$ 410,629	\$1,043,461	\$1,149,735	\$ 1,397,805	\$ 1,560,364
Operating grants	29,032,122	25,993,282	1,599,679	1,463,166	30,631,801	27,456,448
Capital grants	-	-	8,346	-	8,346	-
Total Program Revenues	<u>29,386,466</u>	<u>26,403,911</u>	<u>2,651,486</u>	<u>2,612,901</u>	<u>32,037,952</u>	<u>29,016,812</u>
General Revenues:						
Property taxes	74,680,777	71,593,182	-	-	74,680,777	71,593,182
Taxes levied for specific	7,847,247	7,859,617	-	-	7,847,247	7,859,617
Grants and entitlements	22,825,122	24,396,818	-	-	22,825,122	24,396,818
Investment earnings	317,020	2,049,187	1,731	15,967	318,751	2,065,154
Miscellaneous	48,304	66,853	-	-	48,304	66,853
Total General Revenues	<u>105,718,470</u>	<u>105,965,657</u>	<u>1,731</u>	<u>15,967</u>	<u>105,720,201</u>	<u>105,981,624</u>
TOTAL REVENUES	<u>135,104,936</u>	<u>132,369,568</u>	<u>2,653,217</u>	<u>2,628,868</u>	<u>137,758,153</u>	<u>134,998,436</u>
EXPENSES						
Program Expenses:						
Instruction	90,318,770	83,309,091	-	-	90,318,770	83,309,091
Instructional staff support	11,209,222	11,190,438	-	-	11,209,222	11,190,438
Administration	10,241,375	9,624,928	-	-	10,241,375	9,624,928
Maintenance	11,241,457	11,723,614	-	-	11,241,457	11,723,614
Pupil transportation	8,607,031	8,897,633	-	-	8,607,031	8,897,633
Student activities	1,209,224	1,207,588	-	-	1,209,224	1,207,588
Community services	55,266	41,018	-	-	55,266	41,018
Interest and fiscal charges	6,794,296	6,776,790	-	-	6,794,296	6,776,790
Food service	-	-	2,742,066	2,950,710	2,742,066	2,950,710
TOTAL EXPENSES	<u>139,676,641</u>	<u>132,771,100</u>	<u>2,742,066</u>	<u>2,950,710</u>	<u>142,418,707</u>	<u>135,721,810</u>
Change in Net Assets	<u>\$ (4,571,705)</u>	<u>\$ (401,532)</u>	<u>\$ (88,849)</u>	<u>\$ (321,842)</u>	<u>\$ (4,660,554)</u>	<u>\$ (723,374)</u>

COATESVILLE AREA SCHOOL DISTRICT
Coatesville, Pennsylvania

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONTD)

JUNE 30, 2010

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Governmental Funds - Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end available for spending in future periods. These funds are reported using the modified accrual accounting method, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources available to spend in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

Proprietary Funds - Proprietary funds use the accrual basis of accounting, the same as on the entity-wide statements. Therefore, the statements essentially will match the business-type activities portion of the entity-wide statements.

Fiduciary Funds - The District is the trustee, or fiduciary, for its scholarship program and other items listed as private-purpose trust. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 24 and 25. The District excludes these activities from its other financial statements because the assets cannot be utilized by the District to finance its operations.

Fund Financial Statements

The fund financial statements of the District's major funds begin on page 16 and provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be established by State statute, while many other funds are established by the District to help manage money for particular purposes and compliance with various grant provisions. The District's three types of funds, governmental, proprietary and fiduciary, use different accounting approaches as further described in the notes to the financial statements.

The District's governmental funds reported a combined fund balance of \$11.6 million, which is significantly less than last year's total of \$20.2 million. The schedule below indicates the fund balance and the total change in fund balances as of June 30, 2010 and 2009.

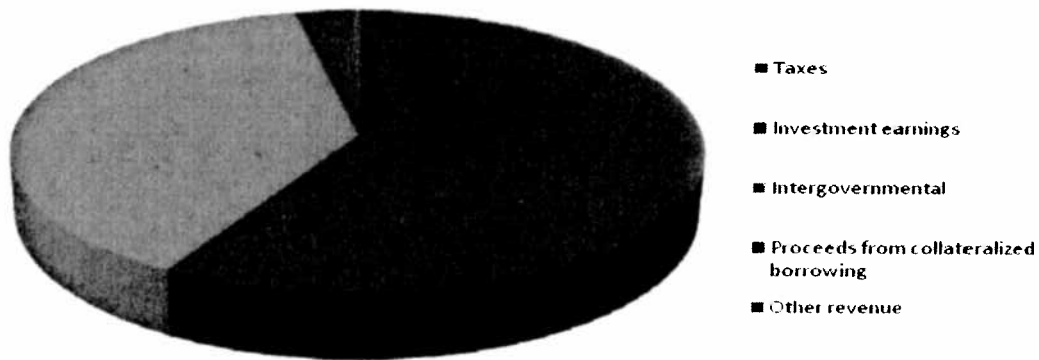
	<u>Fund Balance</u> <u>June 30, 2010</u>	<u>Fund Balance</u> <u>June 30, 2009</u>	<u>Increase</u> <u>(Decrease)</u>
General Fund	\$ 4,752,424	\$ 12,546,296	\$ (7,793,872)
Capital Reserve Fund	681,831	1,198,741	(516,910)
Capital Projects Fund – 2007 GOB	373,487	6,473,676	(6,100,189)
Capital Projects Fund – 2009A GOB	5,850,314	-	5,850,314
Other governmental funds	<u>(40,099)</u>	<u>778</u>	<u>(40,877)</u>
Total	<u>\$ 11,617,957</u>	<u>\$ 20,219,491</u>	<u>\$ (8,601,534)</u>

COATESVILLE AREA SCHOOL DISTRICT
Coatesville, Pennsylvania

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)

JUNE 30, 2010

The District's reliance upon tax revenues is demonstrated by the graph below which indicates that a significant portion of total revenues for government activities comes from property taxes.



General Fund

The District's general fund balance decrease is due to many factors. The tables and graphs that follow assist in illustrating the financial activities and balance of the general fund.

Revenues	<u>2010 Amount</u>	<u>2009 Amount</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Taxes	\$ 78,288,637	\$ 74,546,050	\$ 3,742,587	5%
Investment earnings	278,784	1,222,700	(943,916)	-77.2%
Intergovernmental	51,924,296	50,389,519	1,534,777	3.0%
Proceeds from collateralized borrowing	4,183,567	4,821,625	(638,058)	-13.2%
Other revenue	412,612	665,548	(252,936)	-38.0%
Total	<u>\$135,087,896</u>	<u>\$131,645,442</u>	<u>\$ 3,442,454</u>	<u>2.6%</u>

Tax revenue increased by \$3.7 million due to an increase in tax rates.

While the District's real estate tax base grew modestly, as well as its modest tax increase, resulted in additional tax revenues, the District provided approximately \$3.9 million in taxpayer homestead exemptions per Act 1, which resulted in a net increase in real estate tax revenues.

COATESVILLE AREA SCHOOL DISTRICT
Coatesville, Pennsylvania

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)

JUNE 30, 2010

Investment earnings decreased by \$944 thousand, or 77.2 percent, as a result of lower interest rates brought about by the economy as well as fewer funds available for investment.

Intergovernmental revenue increased by \$1.5 million, or 3.0 percent, for the fiscal year due primarily to additional federal funding from the American Recovery and Reinvestment Act.

Proceeds from collateralized borrowings decreased by \$638 thousand - the result of a decrease in delinquent tax collections.

Other revenue decreased by \$253 thousand, largely the result of a decrease in refunds of prior year expenditures.

Other Funds

The capital projects 2007 GOB fund balance decreased by \$6.1 million as bond proceeds were spent down to complete the new Rainbow Elementary School which opened in August 2009 and to continue the major renovations at the Coatesville Area High School Campus, as well as to review other projects. These other projects include the review of possibilities for the District's North and South Brandywine Middle Schools and the possibility of another new elementary school.

The capital projects 2009A GOB fund balance increased by \$5.9 million as a result of new bond proceeds offset by spending these bond proceeds on approved capital projects at the District.

The capital reserve fund balance decreased by \$517 thousand as funds were spent down from the available fund balance to complete various approved renovation and replacement capital projects.

Business-type Activities

Business-type activities include the food service program. This program had a decrease in net assets of \$89 thousand for the fiscal year. This decrease is due primarily to a reduction in benefit costs, a \$106 thousand decrease in food service meal sales and the District's desire to reduce its Food Service Fund net assets by keeping lunch price increases to a minimum.

GENERAL FUND BUDGET INFORMATION

The District's budget is prepared in accordance with Pennsylvania law and is based on the modified accrual basis of accounting. The most significant budgeted fund is the General Fund.

During the year, the District's Board of Education and management review, approve and process budget transfers monthly. While some District expenditures were over their original budgets, the savings in healthcare expenditures offset these overages. As a result, total general fund expenditures were \$3.5 million over budget.

COATESVILLE AREA SCHOOL DISTRICT
Coatesville, Pennsylvania

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONTD)

JUNE 30, 2010

Spending Review

		<u>Original Budget</u>	<u>Actual</u>	<u>Diff \$</u>	<u>Diff %</u>
Instructional Services:					
Regular programs	1100	\$ 57,425,955	\$ 55,759,569	\$ 1,666,386	2.90
Special programs	1200	20,687,524	24,836,536	(4,149,012)	-20.06
Vocational programs	1300	3,323,086	3,472,803	(149,735)	4.51
Other instructional programs	1400	1,262,314	3,341,216	(2,078,902)	-164.69
Total Instructional Services		<u>82,698,861</u>	<u>87,410,124</u>	<u>(4,711,263)</u>	<u>-5.70</u>
Support Services:					
Pupil personnel services	2100	4,474,857	4,563,485	(88,628)	-1.98
Instructional staff services	2200	5,184,966	5,227,006	(42,040)	-0.81
Administrative services	2300	6,920,075	6,780,393	139,682	2.02
Pupil health	2400	991,636	1,055,586	(63,950)	-6.45
Business services	2500	1,196,984	1,239,267	(42,283)	-3.53
Operation and maintenance of plant	2600	11,677,975	10,960,276	717,699	6.15
Student transportation services	2700	8,211,741	8,607,031	(395,290)	-4.81
Central services	2800	2,263,121	2,163,838	99,283	4.39
Other support services	2900	50,535	50,535	-	-
Total Support Services		<u>40,971,890</u>	<u>40,647,717</u>	<u>324,473</u>	<u>0.79</u>
Operation of Noninstructional Services:					
Student and community services	3300	57,127	55,266	1,861	3.26
Total Operation of Noninstructional Services		<u>57,127</u>	<u>55,266</u>	<u>1,861</u>	<u>3.26</u>
Debt Service, Transfers and Refunds:					
Debt service	5110	13,953,821	13,533,507	420,314	3.01
Transfers and budgetary reserve		1,689,975	1,094,000	595,975	35.27
Refunds of prior year receipts		-	141,454	(141,454)	-100.00
Total Debt Service, Transfers and Refunds		<u>15,643,796</u>	<u>14,768,961</u>	<u>874,835</u>	<u>5.59</u>
TOTAL EXPENDITURES		<u>\$139,371,674</u>	<u>\$142,881,768</u>	<u>\$ (3,510,094)</u>	<u>-2.52</u>

Using spending variances in excess of \$10,000 and using five percent as a spending tolerance, the most significant changes in the District's budget vs. actual expenditures were:

	<u>Original Budget</u>	<u>Actual</u>	<u>Diff \$</u>	<u>Diff %</u>
Special programs	\$ 20,687,524	\$ 24,836,536	\$ (4,149,012)	-20.06%
Other instructional programs	1,262,314	3,341,216	(2,078,902)	-164.69%
Pupil health	991,636	1,055,586	(63,950)	-6.45%
Operation and maintenance of plant	11,677,975	10,960,276	717,699	6.15%
Transfers and budgetary reserve	1,689,975	1,094,000	595,975	35.27%
Refund of prior year receipts	-	141,454	(141,454)	-100.00%

COATESVILLE AREA SCHOOL DISTRICT
Coatesville, Pennsylvania

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)

JUNE 30, 2010

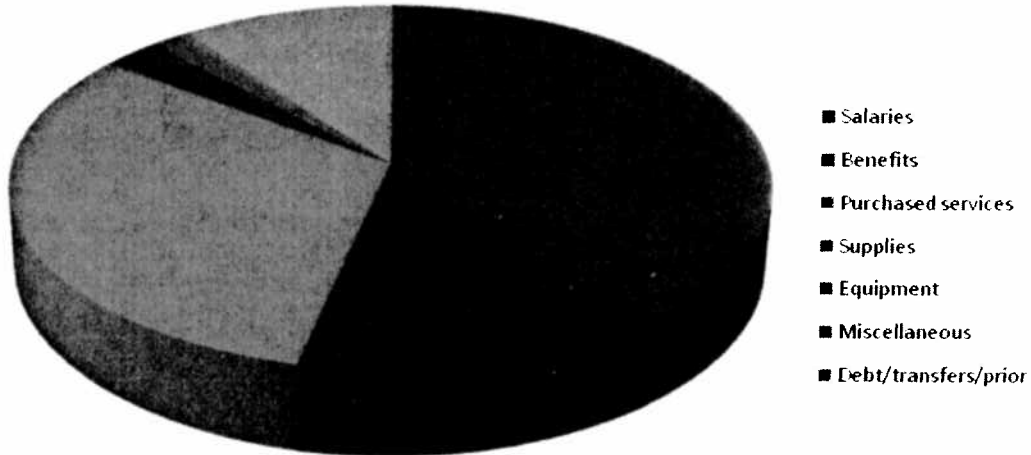
Special education program expenditures exceeded original budget by \$4.1 million. This is because not enough funds were budgeted to cover consistently high special education expenditures.

Other instructional program expenditures were over original budget by \$2.1 million – the result of grant expenditures that were originally budgeted in the regular instructional program category instead of the other instructional program category in accordance with the state's original instructions.

Operation and maintenance of plant services expenditures were \$718 thousand less than anticipated due to \$700 thousand in energy costs savings – the result of deregulation in the industry enabling the District to shop for lower-cost providers – as well as savings in benefits which were the result of a newly negotiated collective bargaining agreement with employees.

Expenditures for transfers and budgetary reserve were \$596 thousand less than budgeted – the result of a budgetary reserve being budgeted with no expenditures associated with it.

As the graph below illustrates, the largest portions of general fund expenditures are collectively for salaries and fringe benefits. The District is a service entity and as such is labor-intensive.



Expenditures by Object	2010	2009	Change	Percent
Salaries	\$ 56,517,840	\$ 51,814,411	\$ 4,703,429	9.08%
Benefits	19,681,948	17,742,697	1,939,251	10.93%
Purchased Services	45,318,616	43,996,082	1,322,534	3.01%
Supplies	3,963,513	5,366,572	(1,403,059)	-26.14%
Equipment	1,980,400	1,366,369	614,031	44.94%
Miscellaneous	792,984	782,438	10,546	1.35%
Debt and Transfers	14,626,467	14,153,562	472,905	3.34%
Total	\$ 142,881,768	\$ 135,222,131	\$ 7,659,637	5.66%

COATESVILLE AREA SCHOOL DISTRICT
Coatesville, Pennsylvania

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONTD)

JUNE 30, 2010

Expenditures were up \$7.7 million, or 5.66 percent, over the prior year.

The \$4.7 million increase in salaries was the result of collective bargaining agreements, one-time early retirement incentive plan expenditures to reduce expenditures in future years, as well as the creation of additional positions at times to meet state mandates.

The net \$1.9 million increase in benefits is attributed primarily to an increase in the cost of health care benefits and the employee retirement incentive plan implemented by the District effective at June 30, 2010.

Purchased services increased by \$1.3 million, the result of increased charter school tuition expenditures.

Expenditures for supplies decreased by \$1.4 million due to \$900 thousand in energy costs savings – the result of deregulation in the energy industry that enabled the District to shop for lower-cost providers, as well as a decrease of \$500 thousand in curriculum development expenditures for books and general supplies.

Equipment expenditures increased by \$614 thousand as a result of purchasing computer-related equipment to assist in instructional programs.

Debt and transfers increased by \$473 thousand, the result of an increase in debt service requirements from the issuance of general obligation bonds.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District has \$172.9 million invested in capital assets net of depreciation, with \$172.7 million attributed to governmental activities. Net acquisitions for governmental activities totaled \$23.4 million, and depreciation expense for the year was \$3.6 million. Detailed information regarding capital asset activity is included in the notes to the basic financial statements (Note 5).

The acquisitions for governmental activities are significantly represented by the numerous renovation and building projects the District completed or is currently undergoing. These projects include:

- The new Rainbow Elementary School which opened in August 2009;
- The continued major renovation projects at the Coatesville Area High School Campus, in which many areas reopened in August 2009;
- The planning and beginning construction phases of the North and South Brandywine Middle Schools.
- The continued review of the District's elementary schools.

COATESVILLE AREA SCHOOL DISTRICT
Coatesville, Pennsylvania

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONTD)

JUNE 30, 2010

Debt

At June 30, 2010, the District had \$174.7 million in outstanding bonds and notes payable. During the year, the District increased its outstanding debt by \$22 million with the issuance of its Series 2009A general obligation bonds to be used for approved capital projects. In addition, the District made principal payments of \$7.1 million. Detailed information regarding long-term debt and notes payable activity is included in the notes to the basic financial statements (Note 7).

Under current state statutes, the District's general obligation bonded debt issues are subject to legal limitation based on 225 percent of the average revenues for the prior three years. At June 30, 2010, the District's gross borrowing capacity for debt was \$285.5 million; of this amount, \$174.7 million was outstanding as existing debt, leaving \$110.8 million remaining as the District's net borrowing capacity available for future debt issuances. As the District incurred new debt from the Series 2009A General Obligation Bond Issue during the 2009-2010 fiscal year, it stayed within its remaining borrowing capacity.

At June 30, 2010, the District's Moody's and Standard & Poor's ratings were A3 and A+/Stable, respectively.

FACTORS EXPECTED TO HAVE AN EFFECT ON FUTURE OPERATIONS

The District has experienced significant growth over the last 10 years. If the growth patterns in student population change so that more students enter the District than currently anticipated, adjustments will have to be made to the financial models upon which assumptions have been made.

Based on previous economic conditions, the District had anticipated its property tax base to grow very modestly due to the nationwide downturn in economic conditions. For this reason, the District's future growth will depend largely on the economy.

The District's overall enrollment, including private and charter school students (for which the District is responsible for transportation costs), is expected to continue to grow through fiscal year 2010-2011. The District's facilities are being renovated and/or expanded to adequately encompass the expected increases in student growth where appropriate and to meet current federal, state, county and municipal guidelines for health and safety criteria. New mandates for facility upgrades can be imposed by any of these governments at any time.

The reader is invited to review additional tax and enrollment information and to review official offering statements of recent District bond issues that contain related housing, commercial and demographic information at the District's Benner Education Services Center, 545 East Lincoln Highway, Coatesville, PA 19320. The reader also is invited to visit the District's web page (www.coatesville.k12.pa.us).

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to show the District's accountability for the monies it receives. If you have questions about this report or wish to request additional financial information, please contact Ms. Karen DeShullo, Assistant Director of Business Administration, Coatesville Area School District, 545 East Lincoln Highway, Coatesville, Pennsylvania 19320-2447, (610) 466-2446.

COATESVILLE AREA SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010
(With Summarized Comparative Data for June 30, 2009)

	Governmental Activities	Business-type Activities	Totals	
			2010	2009
ASSETS				
Cash and cash equivalents	\$ 6,081,121	\$ 73,905	\$ 6,155,026	\$ 12,752,041
Investments	8,532,000	-	8,532,000	11,910,687
Internal balances	(94,533)	94,533	-	-
Interest receivable	65,255	-	65,255	173,713
Pledged taxes receivable	6,297,069	-	6,297,069	6,997,012
Due from other governments	4,355,577	78,014	4,433,591	1,935,486
Other receivables	488,538	6,072	494,610	753,784
Prepaid expenses	828,907	-	828,907	910,679
Inventories	-	25,943	25,943	36,416
Other assets	1,566,241	-	1,566,241	697,709
Issuance costs	2,051,447	-	2,051,447	1,661,266
Land	2,812,500	-	2,812,500	2,812,500
Construction-in-progress	58,219,059	-	58,219,059	64,818,754
Land improvements	7,065,457	-	7,065,457	7,054,922
Buildings and improvements	141,248,020	-	141,248,020	112,263,410
Furniture and equipment	11,945,209	1,528,556	13,473,765	12,485,784
Accumulated depreciation	(48,619,059)	(1,281,483)	(49,900,542)	(46,250,620)
TOTAL ASSETS	\$202,842,808	\$ 525,540	\$203,368,348	\$191,011,543
LIABILITIES AND NET ASSETS				
LIABILITIES:				
Accounts payable	\$ 5,776,472	\$ 115	\$ 5,776,587	\$ 5,798,536
Accrued salaries and benefits	3,797,749	75,579	3,873,328	3,267,223
Accrued interest	2,686,541	-	2,686,541	2,372,344
Collateralized borrowing	4,642,252	-	4,642,252	4,401,291
Long-term liabilities				
Portion due or payable within one year:				
Bonds payable	5,275,000	-	5,275,000	5,310,000
Add: Bond premiums	355,457	-	355,457	347,679
Less: Bond discounts	(6,510)	-	(6,510)	(6,510)
Less: Deferred amounts on refunding	(154,729)	-	(154,729)	(154,729)
Note payable	1,835,000	-	1,835,000	1,775,000
Capital leases payable	-	-	-	47,896
Accumulated compensated absences	23,210	-	23,210	23,211
Portion due or payable after one year:				
Bonds payable	152,745,000	-	152,745,000	136,020,000
Add: Bond premiums	3,826,714	-	3,826,714	4,049,958
Less: Bond discounts	(62,920)	-	(62,920)	(69,430)
Less: Deferred amounts on refunding	(1,306,387)	-	(1,306,387)	(1,461,116)
Note payable	14,815,000	-	14,815,000	16,650,000
Other post-employment benefits	3,973,355	22,794	3,996,149	2,749,090
Accumulated compensated absences	1,628,053	75,264	1,703,317	1,885,207
TOTAL LIABILITIES	199,849,257	173,752	200,023,009	183,005,650
NET ASSETS (DEFICIT):				
Invested in capital assets, net of related debt	1,573,362	247,073	1,820,435	(2,852,322)
Restricted for capital projects	681,831	-	681,831	1,198,741
Unrestricted	738,358	104,715	843,073	9,659,474
TOTAL NET ASSETS	2,993,551	351,788	3,343,339	8,005,893
TOTAL LIABILITIES AND NET ASSETS	\$202,842,808	\$ 525,540	\$203,368,348	\$191,011,543

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

**COATESVILLE AREA SCHOOL DISTRICT
STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2010

(With Summarized Comparative Data for the Year Ended June 30, 2009)

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Business-type Activities		Totals
					Governmental Activities	2010	
GOVERNMENTAL ACTIVITIES							
Instruction	\$ 90,318,770	\$ 254,371	\$22,607,471	\$ -	\$ (67,456,928)	\$ -	\$ (63,933,938)
Instructional student support	11,209,222	-	445,383	-	(10,763,839)	-	(10,760,137)
Administrative and financial support services	10,241,375	-	289,566	-	(9,951,809)	-	(9,359,550)
Operation and maintenance of plant services	11,241,457	-	311,169	-	(10,930,288)	-	(11,422,224)
Pupil transportation	8,607,031	-	4,982,169	-	(3,624,862)	-	(3,958,858)
Student activities	1,209,224	84,468	33,708	-	(1,091,048)	-	(1,091,079)
Community services	55,266	15,505	-	-	(39,761)	-	43,014
Interest on long-term debt	6,794,296	-	362,656	-	(6,431,640)	-	(5,884,417)
TOTAL GOVERNMENTAL ACTIVITIES	139,676,641	354,344	29,032,122	-	(110,290,175)	-	(106,367,189)
BUSINESS-TYPE ACTIVITIES							
Food service	2,742,066	1,043,461	1,599,679	8,346	(90,580)	(90,580)	(337,809)
TOTAL BUSINESS-TYPE ACTIVITIES	2,742,066	1,043,461	1,599,679	8,346	(90,580)	(90,580)	(337,809)
TOTAL PRIMARY GOVERNMENT	\$142,418,707	\$1,397,805	\$30,631,801	\$ 8,346	(110,290,175)	(90,580)	(106,704,998)
GENERAL REVENUES							
Property taxes, levied for general purposes					74,680,777		71,593,182
Taxes levied for specific purposes					7,847,247		7,859,617
Grants and entitlements not restricted to specific programs					22,825,122		24,396,818
Investment earnings					317,020	1,731	2,065,154
Miscellaneous					48,304	-	66,853
TOTAL GENERAL REVENUES					105,718,470	1,731	105,981,624
CHANGE IN NET ASSETS					(4,571,705)	(88,849)	(723,374)
NET ASSETS, BEGINNING OF YEAR					7,565,256	440,637	8,729,267
NET ASSETS, END OF YEAR					\$ 2,993,551	\$ 351,788	\$ 8,005,893

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

**COATESVILLE AREA SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS**

JUNE 30, 2010

(With Summarized Comparative Data for June 30, 2009)

	Major Funds				Nonmajor Fund	Totals	
	General Fund	Capital Reserve Fund	Capital Projects Fund - 2007 GOB	Capital Projects Fund - 2009A GOB		2010	2009
ASSETS							
Cash and cash equivalents	\$ -	\$ 23,625	\$ 382,234	\$ 7,859,557	\$ 6,630	\$ 8,272,046	\$ 12,148,371
Investments	8,532,000	-	-	-	-	8,532,000	11,910,687
Interest receivable	65,255	-	-	-	-	65,255	173,713
Taxes receivable	6,297,069	-	-	-	-	6,297,069	6,997,012
Due from other funds	-	691,000	-	-	-	691,000	453,266
Due from other governments	4,355,577	-	-	-	-	4,355,577	1,857,945
Other receivables	488,538	-	-	-	-	488,538	749,946
Prepaid expenses	828,907	-	-	-	-	828,907	910,679
Other assets	1,566,241	-	-	-	-	1,566,241	697,709
TOTAL ASSETS	\$ 22,133,587	\$ 714,625	\$ 382,234	\$ 7,859,557	\$ 6,630	\$ 31,096,633	\$ 35,899,328
LIABILITIES AND FUND BALANCES							
LIABILITIES:							
Cash overdraft	\$ 2,190,925	\$ -	\$ -	\$ -	\$ -	\$ 2,190,925	\$ -
Due to other funds	731,404	-	8,747	24,316	21,066	785,533	18,231
Accounts payable	3,733,088	32,794	-	1,984,927	25,663	5,776,472	5,796,244
Accrued salaries and benefits	3,797,749	-	-	-	-	3,797,749	3,243,291
Deferred revenues	6,904,787	-	-	-	-	6,904,787	6,598,860
Accumulated compensated absences	23,210	-	-	-	-	23,210	23,211
TOTAL LIABILITIES	17,381,163	32,794	8,747	2,009,243	46,729	19,478,676	15,679,837
FUND BALANCES (DEFICIT)							
Reserved for capital projects	-	681,831	373,487	5,850,314	-	6,905,632	7,672,417
Reserved for athletic purposes	-	-	-	-	-	-	778
Unreserved (Deficit)	4,752,424	-	-	-	(40,099)	4,712,325	12,546,296
TOTAL FUND BALANCES (DEFICIT)	4,752,424	681,831	373,487	5,850,314	(40,099)	11,617,957	20,219,491
TOTAL LIABILITIES AND FUND BALANCES	\$ 22,133,587	\$ 714,625	\$ 382,234	\$ 7,859,557	\$ 6,630	\$ 31,096,633	\$ 35,899,328

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

**COATESVILLE AREA SCHOOL DISTRICT
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS TO
STATEMENT OF NET ASSETS
JUNE 30, 2010**

TOTAL GOVERNMENTAL FUND BALANCES \$ 11,617,957

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	\$	2,812,500		
Construction-in-progress		58,219,059		
Land improvements		7,065,457		
Buildings and improvements		141,248,020		
Furniture and equipment		11,945,209		
Accumulated depreciation		<u>(48,619,059)</u>		172,671,186

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Bonds payable		(158,020,000)		
Notes payable		(16,650,000)		
Accumulated compensated absences		(1,628,053)		
Accrued interest		(2,686,541)		
Collateralized borrowing		(4,642,252)		
Post-employment benefits		<u>(3,973,355)</u>		(187,600,201)

Debt issuance and refunded debt resulted in issuance costs and deferred charges and credits which will be amortized over the life of the new debt but do not represent current rights. (600,178)

Some of the District's revenues will be collected after year end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds. 6,904,787

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 2,993,551

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

**COATESVILLE AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

(With Summarized Comparative Data for the Year Ended June 30, 2009)

	Major Funds					Nonmajor Fund	Totals	
	General Fund	Capital Reserve Fund	Capital Projects Fund - 2007 GOB	Capital Projects Fund - 2009A GOB	2010		2009	
REVENUES								
Local sources	\$ 79,203,655	\$ 2,033	\$ 8,653	\$ 27,131	\$ 64,057	\$ 79,305,529	\$ 77,125,791	
State sources	42,789,381	-	-	-	-	42,789,381	44,781,109	
Federal sources	8,880,544	-	-	-	-	8,880,544	5,540,661	
TOTAL REVENUES	<u>130,873,580</u>	<u>2,033</u>	<u>8,653</u>	<u>27,131</u>	<u>64,057</u>	<u>130,975,454</u>	<u>127,447,561</u>	
EXPENDITURES								
Current:								
Instruction	87,410,124	-	-	-	-	87,410,124	80,848,693	
Support services	40,647,417	-	-	-	-	40,647,417	40,877,073	
Operation of noninstructional services	55,266	-	-	-	-	55,266	1,211,640	
Capital outlays	-	518,943	6,108,842	15,700,817	1,198,934	22,328,602	52,052,891	
Bond issuance costs	-	-	-	615,991	-	615,991	-	
Debt service	13,533,507	-	-	-	-	13,533,507	13,185,357	
TOTAL EXPENDITURES	<u>141,646,314</u>	<u>518,943</u>	<u>6,108,842</u>	<u>16,316,808</u>	<u>1,198,934</u>	<u>165,789,841</u>	<u>188,175,654</u>	
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(10,772,734)</u>	<u>(516,910)</u>	<u>(6,100,189)</u>	<u>(16,289,677)</u>	<u>(1,134,877)</u>	<u>(34,814,387)</u>	<u>(60,728,093)</u>	
OTHER FINANCING SOURCES (USES)								
Proceeds from collateralized borrowing	4,183,567	-	-	-	-	4,183,567	4,821,625	
Proceeds from sale of fixed assets	15,995	-	-	-	-	15,995	15,258	
Refund of prior year expenditures	(141,454)	-	-	-	-	(141,454)	262,002	
Refund of prior year receipts	14,754	-	-	-	-	14,754	(4,790)	
Insurance recoveries	-	-	-	-	-	-	-	
Transfers in	(1,094,000)	-	-	-	1,094,000	1,094,000	991,000	
Issuance of debt	-	-	-	22,000,000	-	(1,094,000)	(991,000)	
Payment of debt - refunding	-	-	-	-	-	22,000,000	35,700,000	
Bond premium	-	-	-	-	-	-	(35,749,302)	
TOTAL OTHER FINANCING SOURCES	<u>2,978,862</u>	<u>-</u>	<u>-</u>	<u>22,139,991</u>	<u>1,094,000</u>	<u>26,212,853</u>	<u>747,517</u>	
NET CHANGE IN FUND BALANCES	<u>(7,793,872)</u>	<u>(516,910)</u>	<u>(6,100,189)</u>	<u>5,850,314</u>	<u>(40,877)</u>	<u>(8,601,534)</u>	<u>(54,935,783)</u>	
FUND BALANCES, BEGINNING OF YEAR	<u>12,546,296</u>	<u>1,198,741</u>	<u>6,473,676</u>	<u>-</u>	<u>778</u>	<u>20,219,491</u>	<u>75,155,274</u>	
FUND BALANCES, END OF YEAR	<u>\$ 4,752,424</u>	<u>\$ 681,831</u>	<u>\$ 373,487</u>	<u>\$ 5,850,314</u>	<u>\$ (40,099)</u>	<u>\$ 11,617,957</u>	<u>\$ 20,219,491</u>	

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

**COATESVILLE AREA SCHOOL DISTRICT
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (8,601,534)

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

Capital outlays are reported in governmental funds as expenditures, which are reported either as District-wide (capital outlay) or function-specific (i.e. instruction, pupil services.) However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which capital outlays (\$23,377,085) exceeded depreciation (\$3,615,274). 19,761,811

Because some property 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 tax revenues decreased by this amount this year. (15,162)

Revenues in the statement of activities that provided current financial resources in the current year but recorded as income in the statement of activities in prior years. 80,128

Debt proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, incurring debt increases liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets. This is the amount by which debt proceeds (\$22,000,000) exceeded debt payments (\$7,132,896). (14,867,104)

Governmental funds report issuance costs, bond discounts and deferred amounts on refunding as other financing uses and bond premiums as other financing sources. However, these amounts are reported in the statement of net assets as deferred charges and credits and are amortized over the life of the debt. This is the amount by which current deferred charges exceeded net amortization. 444,408

In the statement of activities, certain operating expenses--compensated absences (vacations and sick leave), other post-employment benefits and special termination benefits (early retirement)--are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). (1,060,055)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (314,197)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (4,571,705)

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

**COATESVILLE AREA SCHOOL DISTRICT
BUDGETARY COMPARISON STATEMENT - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual (GAAP Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 80,102,412	\$ 79,256,065	\$ 79,203,655	\$ (52,410)
State sources	46,428,897	46,375,244	42,789,381	(3,585,863)
Federal sources	5,140,365	6,040,365	8,880,544	2,840,179
TOTAL REVENUES	<u>131,671,674</u>	<u>131,671,674</u>	<u>130,873,580</u>	<u>(798,094)</u>
EXPENDITURES				
Instruction:				
Regular programs	57,425,955	54,238,796	55,759,569	(1,520,773)
Special programs	20,687,524	20,682,524	24,836,536	(4,154,012)
Vocational programs	3,323,068	3,532,968	3,472,803	60,165
Other instructional programs	1,262,314	2,899,784	3,341,216	(441,432)
Total Instruction	<u>82,698,861</u>	<u>81,354,072</u>	<u>87,410,124</u>	<u>(6,056,052)</u>
Support services:				
Pupil personnel services	4,474,857	4,540,110	4,563,485	(23,375)
Instructional staff services	5,184,966	5,469,052	5,227,006	242,046
Administrative services	6,920,075	7,225,018	6,780,393	444,625
Pupil health	991,836	1,067,705	1,055,586	12,119
Business services	1,196,984	1,304,837	1,239,267	65,570
Operation and maintenance of plant services	11,677,975	11,925,106	10,960,276	964,830
Student transportation services	8,211,741	8,743,767	8,607,031	136,736
Central support services	2,263,121	2,396,627	2,163,838	232,789
Other support services	50,535	50,535	50,535	-
Total Support Services	<u>40,971,890</u>	<u>42,722,757</u>	<u>40,647,417</u>	<u>2,075,340</u>
Operation of noninstructional services:				
Community services	57,127	71,790	55,266	16,524
Total Operation of Noninstructional Services	<u>57,127</u>	<u>71,790</u>	<u>55,266</u>	<u>16,524</u>
Debt service	13,953,821	14,208,821	13,533,507	675,314
TOTAL EXPENDITURES	<u>137,681,699</u>	<u>138,357,440</u>	<u>141,646,314</u>	<u>(3,288,874)</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(6,010,025)</u>	<u>(6,685,766)</u>	<u>(10,772,734)</u>	<u>(4,086,968)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from collateralized borrowing	5,200,000	5,200,000	4,183,567	(1,016,433)
Proceeds from sale of fixed assets	-	-	15,995	15,995
Refund of prior year receipts	-	-	(141,454)	(141,454)
Insurance recoveries	-	-	14,754	14,754
Transfers in	2,500,000	2,500,000	-	(2,500,000)
Transfers out	(900,000)	(900,000)	(1,094,000)	(194,000)
Budgetary reserve	(789,975)	114,234	-	(114,234)
TOTAL OTHER FINANCING SOURCES	<u>6,010,025</u>	<u>6,914,234</u>	<u>2,978,862</u>	<u>(3,935,372)</u>
NET CHANGE IN FUND BALANCE	-	228,468	(7,793,872)	(8,022,340)
FUND BALANCE, BEGINNING OF YEAR	<u>12,468,083</u>	<u>12,468,083</u>	<u>12,546,296</u>	<u>78,213</u>
FUND BALANCE, END OF YEAR	<u>\$ 12,468,083</u>	<u>\$ 12,696,551</u>	<u>\$ 4,752,424</u>	<u>\$ (7,944,127)</u>

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

COATESVILLE AREA SCHOOL DISTRICT
STATEMENT OF NET ASSETS - PROPRIETARY FUND
JUNE 30, 2010
(With Comparative Data for June 30, 2009)

	Major Fund	
	Food Service Fund	
	2010	2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 73,905	\$ 603,670
Other receivables	6,072	3,838
Due from other funds	94,533	-
Due from other governments	78,014	77,541
Inventories	25,943	36,416
Total Current Assets	<u>278,467</u>	<u>721,465</u>
CAPITAL ASSETS:		
Furniture and equipment	1,528,556	1,520,210
Accumulated depreciation	(1,281,483)	(1,246,835)
Capital Assets, Net	<u>247,073</u>	<u>273,375</u>
TOTAL ASSETS	<u>\$ 525,540</u>	<u>\$ 994,840</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Due to other funds	\$ -	\$ 435,035
Accounts payable	115	2,292
Accrued salaries and benefits	98,373	23,932
Total Current Liabilities	<u>98,488</u>	<u>461,259</u>
NONCURRENT LIABILITIES:		
Accumulated compensated absences	75,264	92,944
Total Liabilities	<u>173,752</u>	<u>554,203</u>
NET ASSETS		
Invested in capital assets, net of related debt	247,073	273,375
Unrestricted	104,715	167,262
Total Net Assets	<u>351,788</u>	<u>440,637</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 525,540</u>	<u>\$ 994,840</u>

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

COATESVILLE AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2010
(With Comparative Data for the Year Ended June 30, 2009)

	Major Fund	
	Food Service Fund	
	2010	2009
OPERATING REVENUES		
Food service revenues	\$ 1,043,461	\$ 1,149,735
Total Operating Revenues	<u>1,043,461</u>	<u>1,149,735</u>
OPERATING EXPENSES		
Salaries	935,999	872,993
Employee benefits	188,671	389,982
Purchased professional and technical services	3,877	8,677
Purchased property services	21,821	42,544
Other purchased services	196,921	197,943
Supplies	1,353,907	1,401,181
Depreciation	34,648	35,536
Other operating expenses	6,222	1,854
Total Operating Expenses	<u>2,742,066</u>	<u>2,950,710</u>
OPERATING LOSS	<u>(1,698,605)</u>	<u>(1,800,975)</u>
NONOPERATING REVENUES		
Earnings on investments	1,731	15,967
Capital contributions	8,346	-
State sources	113,556	113,505
Federal sources	1,486,123	1,349,661
Total Nonoperating Revenues	<u>1,609,756</u>	<u>1,479,133</u>
CHANGE IN NET ASSETS	(88,849)	(321,842)
NET ASSETS, BEGINNING OF YEAR	<u>440,637</u>	<u>762,479</u>
NET ASSETS, END OF YEAR	<u>\$ 351,788</u>	<u>\$ 440,637</u>

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

COATESVILLE AREA SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2010
(With Comparative Data for the Year Ended June 30, 2009)

	Major Fund	
	Food Service Fund	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received for services and other operating revenues	\$ 1,041,227	\$ 1,150,107
Payments to suppliers	(1,694,640)	(1,941,273)
Payments for other operating expenses	(224,964)	(242,341)
Payments to employees	(1,071,786)	(1,249,619)
NET CASH USED BY OPERATING ACTIVITIES	(1,950,163)	(2,283,126)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State sources	113,900	113,697
Federal sources	1,304,767	1,189,514
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	1,418,667	1,303,211
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	-	(4,700)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	-	(4,700)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash received from earnings on investments	1,731	15,967
NET CASH PROVIDED BY INVESTING ACTIVITIES	1,731	15,967
NET DECREASE IN CASH AND CASH EQUIVALENTS	(529,765)	(968,648)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	603,670	1,572,318
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 73,905	\$ 603,670
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating loss	\$ (1,698,605)	\$ (1,800,975)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	34,648	35,536
Donated commodities	180,539	155,824
(Increase) decrease in:		
Other receivables	(2,234)	372
Due from other funds	(94,533)	
Inventories	10,473	4,908
Increase (decrease) in:		
Accounts payable	(2,177)	2,292
Accrued salary	74,441	10,850
Due to other funds	(435,035)	(703,116)
Accumulated compensated absences	(17,680)	11,183
NET CASH USED BY OPERATING ACTIVITIES	\$ (1,950,163)	\$ (2,283,126)
SUPPLEMENTAL DISCLOSURE:		
NONCASH NONCAPITAL FINANCING ACTIVITY:		
Capital asset contributions	\$ 8,346	\$ -
USDA donated commodities	\$ 180,539	\$ 155,824

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

**COATESVILLE AREA SCHOOL DISTRICT
STATEMENT OF NET ASSETS - FIDUCIARY FUNDS
JUNE 30, 2010**

	Private- Purpose Trust	Agency
ASSETS		
Cash	\$ 191,862	\$ 189,458
Due from other fund	-	32,006
TOTAL ASSETS	\$ 191,862	\$ 221,464
 LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	\$ -	\$ 221,464
Due to other fund	32,006	
 NET ASSETS:		
Reserved for trust	159,856	
 TOTAL LIABILITIES AND NET ASSETS	\$ 191,862	

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

**COATESVILLE AREA SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET ASSETS - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010
(With Comparative Data for the Year Ended June 30, 2009)**

	Private-Purpose Trust	
	2010	2009
ADDITIONS		
Local contributions	\$ 68,924	\$ 64,077
Interest income	366	4,963
TOTAL ADDITIONS	69,290	69,040
DEDUCTIONS		
Fees paid and scholarships awarded	68,131	66,063
TOTAL DEDUCTIONS	68,131	66,063
CHANGE IN NET ASSETS	1,159	2,977
NET ASSETS, BEGINNING OF YEAR	158,697	155,720
NET ASSETS, END OF YEAR	\$ 159,856	\$ 158,697

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

COATESVILLE AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Coatesville Area School District (the "District") operates six elementary schools, three middle schools and two senior high schools to provide education and related services to the residents of the City of Coatesville, two boroughs (South Coatesville and Modena) and six townships (Cain, East Fallowfield, Sadsbury, Valley, West Brandywine and West Cain). 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 second class. The District operates under a locally elected nine-member Board form of government.

The financial statements of the District have been prepared in accordance with generally accepted accounting principles ("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

The Governmental Accounting Standards Board 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 financial 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.

Joint Ventures

The District is a participating member of the Center for Arts and Technology (the "Vo-Tech"). The Vo-Tech is run by a joint board consisting of school directors from each member district. The board of directors from each member district must approve the Vo-Tech's annual budget. Each member pays an allocated share of the debt and operating costs of the Vo-Tech based on the number of students from each district. For fiscal year ended June 30, 2010, the District's share of operating costs was \$2,052,699. The Vo-Tech prepares financial statements which are available to the public. The financial statements of the Vo-Tech are available from the Chester County Intermediate Unit located at 455 Boot Road, Downingtown, PA 19335.

Basis of Presentation

Entity-wide Financial Statements

The statement of net assets 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 primary financial activities of the District, except for fiduciary funds.

COATESVILLE AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

The entity-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting as further defined under proprietary funds below. 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. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the entity-wide statements and the statements of governmental funds.

The statement of activities presents a comparison between expenses and program revenues for each segment 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.

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

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 enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. The single nonmajor governmental fund is presented in a single column on the governmental fund financial statements. Fiduciary fund financial statements are presented by fund type.

COATESVILLE AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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:

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

The **Capital Projects Funds** and the **Capital Reserve Fund** are used to account for the acquisition, construction and renovation of major capital facilities.

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 government considers tax revenue to be available if collected within 60 days of the end of the fiscal 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 deferred revenues until earned.

Other revenues, including certain other charges for services and miscellaneous revenues, are recorded as revenue when received in cash because they generally are not measurable until actually received.

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, principal and interest on general long-term debt which has not matured are recognized when payment is due. Liabilities for compensated absences and special termination benefits are recognized as fund liabilities to the extent they mature each period. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Proprietary Funds

Proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are financed primarily by user charges. The economic resource measurement 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.

COATESVILLE AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 are followed in both the entity-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict the guidance of GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

Fiduciary Funds

Fiduciary funds account for the assets held by the District as a trustee or agent for individuals, private organizations and/or governmental units and are, therefore, not available to support the District's own programs. The District accounts for these assets in a private-purpose trust and agency fund. The private-purpose trust fund accounts for activities in various scholarship accounts, whose sole purpose is to provide annual scholarships to particular students as described by donor stipulations. The agency fund accounts for funds held on behalf of students of the District. The measurement focus and basis of accounting for the private-purpose trust is the same as for proprietary funds, while the agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

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.

Receivables and Payables

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

Pledged Taxes Receivable

The District has entered into an agreement with the Harrisburg Municipal Authority (the "Authority") under which the District relinquishes to the Authority delinquent property tax revenues. The District receives from the Authority an annual lump sum payment in exchange for the rights to receive

COATESVILLE AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

and retain future delinquent property tax revenues. This agreement qualifies as a collateralized borrowing in accordance with the FASB ASC section regarding "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues." Taxes receivable are considered as pledged for financial statement purposes. Proceeds received by the District are reported as a liability in the statement of net assets and as an other financing source in the fund financial statements. Subsequent collections of the pledged receivables that are paid to the Authority reduce the liability on the District's statement of net assets.

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

Assessed valuations of property are determined by the Chester County Board of Assessments. The District's taxes are billed and collected by a third-party administrator. The tax on real estate for public school purposes for fiscal 2009-2010 was 27.50 mills (\$27.50 for \$1,000 of assessed valuation) for the entire District.

Prepaid Items and Inventories

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

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

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the entity-wide and proprietary fund financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$1,000 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 estimated fair 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.

COATESVILLE AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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

School buildings and Improvements	20-50 years
Site Improvements	15-20 years
Equipment	5-10 years
Vehicles	8-15 years
Library books	5-7 years

Compensated Absences

District policies permit employees to accumulate earned but unused vacation, personal and sick days as stipulated in each bargaining unit's contract. The liability for these compensated absences is recorded as long-term debt in the entity-wide financial statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

Long-term Obligations

In the entity-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. Deferred amounts on refunding are recorded as a decrease to debt payable 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.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received 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 uses.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first and then unrestricted resources as they are needed.

COATESVILLE AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

Use of Estimates in the Preparation of Financial Statements

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.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

An annual budget is adopted prior to the beginning of each year for the general fund on the 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 all capital projects funds.

The District is required to publish notice by advertisement at least once in two newspapers of general circulation in the municipalities in which it is located, and within 20 days of final action, that the proposed budget has been prepared and is available for public inspection at the administrative offices of the District. Notice that public hearings will be held on the proposed operating budget must be included in the advertisement; such hearings are required to be scheduled at least 10 days prior to the date final action on adoption is taken by the Board.

Legal budgetary control is maintained at the sub-function/major object level. The Board may make transfers of funds appropriated to any particular item of expenditure by legislative action in accordance with the Pennsylvania School Code. Management may amend the budget at the sub-function/sub-object level without Board approval. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments.

NOTE 3 DEPOSITS AND INVESTMENTS

Custodial Credit Risk - Deposits

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, 2010, the carrying amount of the District's deposits was \$6,536,346 and the bank balance was \$11,343,510. Of the bank balance, \$250,000 was covered by federal depository insurance and \$11,093,510 was exposed to custodial credit risk because, in accordance with Act 72 of the Commonwealth of Pennsylvania, it was uninsured and the collateral held by the depository's agent was not in the District's name.

COATESVILLE AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 3 DEPOSITS AND INVESTMENTS (cont'd)

Investments

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, 2010, the District had the following investments:

Certificates of deposit due within one year - collateral held by pledging bank's agent in the District's name	<u>\$ 8,532,000</u>
TOTAL	<u>\$ 8,532,000</u>

Interest Rate Risk

The District's investment policy limits investment maturities to securities with maturity dates under one year as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2010, the District's investments in certificates of deposit had maturity dates of less than one year.

Credit Risk

The District limits its investment choices to those with the highest credit ratings by a nationally recognized statistical rating organization. As of June 30, 2010, PSDLAF and PLGIT were rated as AAA by a nationally recognized statistical rating organization.

NOTE 4 DEFERRED REVENUES

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

COATESVILLE AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 2,812,500	\$ -	\$ -	\$ 2,812,500
Construction-in-progress	<u>64,816,754</u>	<u>22,173,200</u>	<u>28,770,895</u>	<u>58,219,059</u>
Total Capital Assets Not Being Depreciated	<u>67,629,254</u>	<u>22,173,200</u>	<u>28,770,895</u>	<u>61,031,559</u>
Capital assets being depreciated:				
Land Improvements	7,054,922	10,535	-	7,065,457
Buildings and Improvements	112,263,410	28,984,610	-	141,248,020
Furniture and equipment	<u>10,965,574</u>	<u>979,635</u>	-	<u>11,945,209</u>
Total Capital Assets Being Depreciated	<u>130,283,906</u>	<u>29,974,780</u>	-	<u>160,258,686</u>
Less accumulated depreciation for:				
Land Improvements	2,848,283	309,737	-	3,158,020
Buildings and improvements	34,149,590	2,280,021	-	36,429,611
Furniture and equipment	<u>8,005,912</u>	<u>1,025,516</u>	-	<u>9,031,428</u>
Total Accumulated Depreciation	<u>45,003,785</u>	<u>3,615,274</u>	-	<u>48,619,059</u>
Total Capital Assets Being Depreciated, Net	<u>85,280,121</u>	<u>26,359,506</u>	-	<u>111,639,627</u>
Governmental Activities Capital Assets, Net	<u>\$ 152,909,375</u>	<u>\$ 48,532,706</u>	<u>\$ 28,770,895</u>	<u>\$ 172,671,186</u>
Business-type Activities:				
Capital assets being depreciated:				
Furniture and equipment	\$ 1,520,210	\$ 8,346	\$ -	\$ 1,528,556
Less accumulated depreciation	<u>1,246,835</u>	<u>34,648</u>	-	<u>1,281,483</u>
Business-type Capital Assets, Net	<u>\$ 273,375</u>	<u>\$ (26,302)</u>	<u>\$ -</u>	<u>\$ 247,073</u>

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

Governmental activities:	
Instruction	\$ 2,621,762
Instructional student support	324,744
Administrative and financial support services	305,232
Operation and maintenance of plant services	328,004
Student activities	<u>35,532</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 3,615,274</u>
Depreciation Expense - Business-type Activities	<u>\$ 34,648</u>

COATESVILLE AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 6 INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS

The composition of Interfund balances as of June 30, 2010 is as follows:

Receivable To	Amount	Payable From	Amount
Capital Reserve Fund	\$ 691,000	General Fund	\$ 731,404
Food Service Fund	94,533	Nonmajor Fund	21,066
Agency Fund	32,006	Capital Projects Fund - 2007 GOB	8,747
		Capital Projects Fund - 2009A GOB	24,316
		Trust Fund	32,006
	<u>\$ 817,539</u>		<u>\$ 817,539</u>

Interfund balances between funds represent temporary loans recorded at year end subsequent to a final allocation of expenses. The balances generally are paid shortly after year end.

Interfund transfers for the year ended June 30, 2010 are as follows:

Transfer In:	Transfer Out:	
Nonmajor Fund	General Fund	\$ 1,094,000

This transfer represents funds to subsidize athletic activities.

NOTE 7 GENERAL LONG-TERM DEBT

The following summarizes the changes in the long-term liabilities of governmental and business-type activities for the year ended June 30, 2010:

	Balance July 1, 2009	Additions	Reductions	Balance June 30, 2010
Governmental Activities:				
Bonds payable	\$ 141,330,000	\$ 22,000,000	\$ 5,310,000	\$ 158,020,000
Bond premiums	4,397,637	139,991	355,457	4,182,171
Bond discounts	(75,940)	-	(6,510)	(69,430)
Deferred amount on refunding	(1,615,845)	-	(154,729)	(1,461,116)
Note payable	18,425,000	-	1,775,000	16,650,000
Capital lease payable	47,896	-	47,896	-
Accumulated compensated absences	1,815,474	-	164,211	1,651,263
Other post-employment	2,749,090	1,224,265	-	3,973,355
Collateral borrowing	4,401,291	3,731,922	3,490,961	4,642,252
TOTALS	<u>\$ 171,474,603</u>	<u>\$ 27,096,178</u>	<u>\$ 10,982,286</u>	<u>\$ 187,588,495</u>
Business-type Activities:				
Accumulated compensated absences	\$ 92,944	\$ -	\$ 17,680	\$ 75,264

COATESVILLE AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 7 GENERAL LONG-TERM DEBT (cont'd)

Payments of long-term debt from bonds and notes payable are to be funded by the general fund, while long-term debt from compensated absences is paid out of the fund from which the liability was incurred.

General Obligation Bonds:

Series of 2003, maturing through November 15, 2011 bearing interest ranging from 2.00% to 3.25%, interest payable semi-annually on May 15 and November 15.	\$ 4,415,000
Series of 2004, maturing through August 15, 2020 bearing interest ranging from 2.00% to 5.25%, interest payable semi-annually on February 15 and August 15.	16,600,000
Series of 2005, maturing through August 15, 2020 bearing interest ranging from 3.10% to 4.15%, interest payable semi-annually on February 15 and August 15.	9,255,000
Series of 2006, maturing through August 15, 2019 bearing interest ranging from 3.55% to 4.00%, interest payable semi-annually on February 15 and August 15.	9,550,000
Series of 2007, maturing through August 15, 2026 bearing interest ranging from 4.25% to 5.00%, interest payable semi-annually on February 1 and August 1.	63,545,000
Series of 2009, maturing through October 2016, bearing interest ranging from 2.00% to 4.00%, interest payable semi-annually on April 1 and October 1. The Series 2009 provided funds to currently refund the Series 1999 bonds and to pay expenses related to the issuance of such bonds.	32,655,000
Series A of 2009, maturing through August 15, 2027 bearing interest ranging from 4.00% to 5.00%, interest payable semi-annually on February 15 and August 15.	<u>22,000,000</u>
Total General Obligation Bonds	158,020,000
Note Payable:	
Series of 2001, maturing through November 25, 2017 with interest at variable rates, payable monthly. Interest rates change on a weekly basis and are determined by the Bond Market Association Index.	<u>16,650,000</u>
TOTAL	<u><u>\$174,670,000</u></u>

COATESVILLE AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 7 GENERAL LONG-TERM DEBT (cont'd)

Presented below is a summary of debt service requirements to maturity by years:

<u>Year Ending June 30,</u>	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Total Maturities</u>
2011	\$ 7,110,000	\$ 7,394,413	\$ 14,504,413
2012	7,310,000	7,194,559	14,504,559
2013	7,510,000	6,993,678	14,503,678
2014	7,720,000	6,787,736	14,507,736
2015	7,980,000	6,525,459	14,505,459
2016-2020	44,915,000	27,605,403	72,520,403
2021-2025	56,505,000	16,009,298	72,514,298
2026-2028	<u>35,620,000</u>	<u>2,395,065</u>	<u>38,015,065</u>
	<u>\$174,670,000</u>	<u>\$ 80,905,611</u>	<u>\$255,575,611</u>

Advance Refunding

The District has defeased certain outstanding bond issues. The defeased bonds are not included in the District's financial statements as they are being held in escrow by the paying agent until final maturity. The principal balance of the defeased bonds outstanding are as follows:

	<u>Final Maturity</u>	<u>Interest</u>	<u>Principal Outstanding</u>
General Obligation Bond Series of 2004	08/15/2014	4.31%	<u>\$ 8,445,000</u>

NOTE 8 OPERATING LEASES

The District currently is obligated under operating lease agreements for office equipment and fiber optic cable. The following is a schedule by years of future minimum lease payments:

<u>Year Ending June 30,</u>	
2011	\$ 95,201
2012	<u>13,229</u>
Total	<u>\$ 108,430</u>

Rental expense, including short-term rentals, for the year ended June 30, 2010 was \$697,299.

COATESVILLE AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 9 PENSION PLAN

Plan Description

The District contributes to the Public School Employees' Retirement System ("PSERS"), a governmental cost-sharing multiple-employer defined benefit pension plan administered by the Commonwealth of Pennsylvania Public School Employees' Retirement System. The PSERS provides retirement and disability, legislatively mandated *ad hoc* cost-of-living adjustments and certain health care insurance premium assistance to plan members and their beneficiaries. The Public School Employees' Retirement Code (Act No. 96, of October 2, 1975, as amended) provides the authority to establish and amend benefit provisions. The PSERS issues a comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Public School Employees' Retirement System, P.O. Box 125, Harrisburg, PA 17108-0125 or by accessing its website at <http://www.psers.state.pa.us/publications/cafr/Index.htm>.

Funding Policy

The contribution policy is established in the Public School Employees' Retirement Code and requires contributions by active members, employers and the Commonwealth. Individual employees contribute between 5.25 and 7.5 percent of salary depending on their membership status. Contributions required of employers are based upon an actuarial valuation. For fiscal year ended June 30, 2010, the rate of employer contribution was 4.76 percent of covered payroll. The District's contributions to PSERS for the years ended June 30, 2008, 2009 and 2010 were \$3,424,477, \$2,188,640 and \$2,656,205, respectively, equal to the required contribution for each year.

NOTE 10 SELF-INSURANCE

The District administers a self-insurance program to provide for the medical care for eligible employees and their dependents. 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 for claims incurred through June 30, 2010.

Change in Aggregate Claim Liabilities

Year Ending June 30, 2010

Claims Liability, beginning of year	\$ 1,878,900
Current year claims and changes in estimates	12,388,018
Claim payments by the District	<u>(13,150,342)</u>
Claims Liability, end of year	<u>\$ 1,116,576</u>

Self-insurance benefits also are offered to retired District employees according to the provisions set forth in each bargaining unit's ERIP agreement. Currently, 86 retirees receive benefits, which are financed on a pay-as-you-go basis.

COATESVILLE AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 11 COMMITMENTS AND CONTINGENCIES

Government Grants and Awards

The District participates in both state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The District is potentially liable for any expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

Litigation

Certain litigation claims are pending against the District. In the opinion of District management and legal counsel, the potential losses, if any, on such claims are not yet determinable.

Capital Improvement Commitments

As of June 30, 2010, the District was in the process of several capital projects. Construction commitments completed to date are as follows:

<u>Project</u>	<u>Contract Amount</u>	<u>Completed to 06/30/2010</u>	<u>Commitments</u>
Coatesville High School - renovations	<u>\$ 51,035,155</u>	<u>\$ 45,743,751</u>	<u>\$ 5,291,404</u>

In addition, the District has incurred costs in the amount of \$12,475,308 for other projects that were not under a formal construction commitment as of June 30, 2010.

NOTE 12 RISK MANAGEMENT

The District is exposed to various risks of loss related to tort; 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 all major programs. There were no significant reductions in insurance coverages of the 2009-2010 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

COATESVILLE AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 13 POST-EMPLOYMENT HEALTHCARE PLAN

Plan Description

The District's post-employment healthcare plan is a single-employer defined benefit healthcare plan. The plan provides medical insurance benefits to eligible retirees and their spouses. The Board of School Directors assigns the authority to establish and amend benefit provisions. The plan does not issue any financial report and is not included in the report of any public employee retirement system or any other entity.

Funding Policy

The contribution requirements of plan members are established and may be amended by the Board of School Directors. The required contribution is based on projected pay-as-you-go financing requirements, with any additional amount to prefund as determined annually by the Board of School Directors. For fiscal year 2010, the District contributed \$128,715 to the plan for current premiums.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other post-employment benefit cost (expense) is calculated based on the annual required contribution ("ARC") of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's OPEB cost for the year, the amount actually contributed to the plan and changes in the District's net OPEB obligation to the plan.

Annual required contribution	\$ 1,791,547
Interest on net OPEB obligation	123,709
Adjustment to annual required contribution	<u>(378,204)</u>
Annual OPEB cost (expense)	1,537,052
Contributions made	<u>(289,993)</u>
Increase in net OPEB obligation	1,247,059
Net OPEB obligation - beginning of year	<u>2,749,090</u>
Net OPEB obligation - end of year	<u>\$ 3,996,149</u>

Funded Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the plan was 0.00 percent funded. The actuarial accrued liability for benefits was \$10,031,540, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability ("UAAL") of \$10,031,540. The covered payroll (annual payroll of active employees covered by the plan) was \$47,186,043, and the ratio of the UAAL to the covered payroll was 21.26 percent.

COATESVILLE AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 13 POST-EMPLOYMENT HEALTHCARE PLAN (cont'd)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2009 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.50 percent investment rate of return and an annual healthcare cost trend rate of 8.0 percent in 2009, reduced by decrements to an ultimate rate of 5.5 percent in 2014. The UAAL is being amortized based on the level dollar, 15-year blended period. The remaining amortization period at June 30, 2010 was 12 years.

NOTE 14 DEFICIT FUND BALANCES

As of June 30, 2010, the Nonmajor Fund reported a deficit fund balance in the amount of \$40,099.

NOTE 15 EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The following general fund functions incurred expenditures in excess of appropriations in the following amount for the year ended June 30, 2010:

Instruction - regular programs	\$ 1,520,773
Instruction - special programs	\$ 4,154,012
Instruction - other instructional programs	\$ 441,432
Pupil personnel services	\$ 23,375

The excess of expenditures over appropriations was financed with surplus generated in prior years and positive budget variances in other functions.

COATESVILLE AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 16 SUBSEQUENT EVENTS

On July 20, 2010, the District issued General Obligation Bonds, Series of 2010 in the amount of \$53,425,000 for current and future capital projects.

The District has evaluated all subsequent events through March 11, 2011, the date the financial statements were available to be issued.

SINGLE AUDIT

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

March 11, 2011

To the Board of School Directors and Audit Committee
Coatesville Area School District
Coatesville, Pennsylvania

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Coatesville Area School District, Coatesville, Pennsylvania as of and for the year ended June 30, 2010 which collectively comprise Coatesville Area School District's basic financial statements and have issued our report thereon dated March 11, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

To the Board of School Directors and Audit Committee
Coatesville Area School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Coatesville Area School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted other matters involving the internal control over financial reporting that we have reported to management of Coatesville Area School District in a separate letter dated March 11, 2011.

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

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

REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133

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March 11, 2011

To the Board of School Directors and Audit Committee
Coatesville Area School District
Coatesville, Pennsylvania

Compliance

We have audited the compliance of Coatesville Area School District, Coatesville, Pennsylvania, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. Coatesville Area School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and recommendations. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Coatesville Area School District's management. Our responsibility is to express an opinion on Coatesville Area School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments and Nonprofit Organizations." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Coatesville Area School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Coatesville Area School District's compliance with those requirements.

In our opinion, Coatesville Area School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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

To the Board of School Directors and Audit Committee
Coatesville Area School District

that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Coatesville Area School District's internal control over compliance.

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

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

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

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

COATESVILLE AREA SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

PART A - SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Unqualified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

Unqualified

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

Yes No

Identification of major programs:

CFDA Number(s)

84.010, 84.389
84.027, 84.391
84.394
93.778

Name of Federal Program or Cluster

Title I, Part A Cluster
Special Education Cluster (IDEA)
State Fiscal Stabilization Fund (SFSF) - Education
State Grants, Recovery Act
Medical Assistance Program

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

\$ 300,000

Auditee qualified as low-risk auditee?

Yes No

COATESVILLE AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS

PART B - FINDINGS RELATED TO FINANCIAL STATEMENTS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

PART C - FINDINGS RELATED TO FEDERAL AWARDS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

**COATESVILLE AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS
FOR THE YEAR ENDED JUNE 30, 2010**

FEDERAL GRANTOR PROJECT TITLE	SOURCE CODE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	GRANT PERIOD BEGINNING / ENDING DATES	GRANT AMOUNT	TOTAL RECEIVED FOR YEAR	ACCRUED (DEFERRED) REVENUE 07/01/2009	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (DEFERRED) REVENUE 06/30/2010
U.S. Department of Education										
Passed through PA Department of Education										
Title I										
Title I - Delinquent		84.010	013-09-0089	07/01/08 - 09/30/10	\$ 1,511,969	\$ 315,784	\$ 268,287	\$ 47,497	\$ 47,497	\$ -
Title I - Delinquent		84.010	013-10-0089	07/01/09 - 09/30/11	1,335,466	631,221	(1,810)	984,618	984,618	353,397
Title I - Program Improvement		84.010	107-09-0089	07/01/08 - 09/30/10	28,311	6,147		18,203	18,203	10,246
Title I - Program Improvement		84.010	107-10-0089	07/01/09 - 09/30/11	30,434	28,405		30,434	30,434	2,029
Title I - Program Improvement		84.010	042-09-0089	07/01/08 - 09/30/10	98,000	75,659	69,049	6,610	6,610	3,001
Title I - Program Improvement		84.010	042-09-0089	07/01/09 - 09/30/10	85,000	59,601	(14,521)	77,123	77,123	(16,435)
Title I - Academic Achievement Award		84.010	042-10-0089	04/26/10 - 09/30/11	147,912	16,435				857
ARRA - Title I		84.010	077-09-0089	07/01/08 - 09/30/09	2,000	429	(714)	2,000	2,000	
ARRA - Title I - Delinquent		84.389	127-10-0089	05/15/09 - 09/30/10	767,388	586,826		472,157	472,157	(114,669)
ARRA - Title I - Program Improvement		84.389	133-10-0089	05/15/09 - 09/30/10	21,722	5,111		21,722	21,722	16,611
State Fiscal Stabilization Fund - Education		84.389	134-10-0089	04/27/10 - 09/30/11	102,640	5,702				(5,702)
State Grants, Recovery Act										
Title II - Improving Teacher Quality		84.394	126-10-0089	07/01/09 - 06/30/10	2,552,634	1,701,756		2,552,634	2,552,634	850,878
Title II - Improving Teacher Quality		84.367	020-09-0089	07/01/08 - 09/30/10	531,957	151,957	44,799	145,186	145,186	37,997
Title II - Educational Technology		84.367	020-10-0089	07/01/08 - 09/30/10	524,343	419,474		468,767	468,767	49,293
Title III Language Instruction LEP/Immigrant Students		84.318	055-08-0089	07/01/07 - 09/30/09	162,200	2,780	(16,706)	19,486	19,486	
Title III Language Instruction LEP/Immigrant Students		84.365	010-08-0089	07/01/07 - 09/30/09	59,614	17,033	(70,740)			(47,813)
Drug-free Schools		84.186	100-10-0089	07/01/08 - 09/30/10	163,065	12,543		35,470	35,470	15,266
21st Century Community Learning Centers		84.287	410-00-27658	10/01/08 - 09/30/09	24,807	9,541		24,807	24,807	
21st Century Community Learning Centers		84.287	410-04-3306	07/01/08 - 09/30/09	235,207	82,500	235,207			
21st Century Community Learning Centers		84.287	410-04-3306	07/01/09 - 09/30/10	195,250			195,250	195,250	195,250
21st Century Community Learning Centers		84.287	410-05-3306	07/01/09 - 09/30/10	169,504			169,504	169,504	169,504
Passed Through Chester County Intermediate Unit										
I.D.E.A.										
I.D.E.A.		84.027	062-09-0024	07/01/08 - 09/30/09	1,031,150	334,768	334,768			
ARRA - I.D.E.A.		84.027	062-10-0024	07/01/09 - 09/30/10	1,033,049	946,962		1,033,049	1,033,049	86,087
ARRA - I.D.E.A.		84.391	128-10-0-024	07/01/09 - 09/30/11	1,463,991	595,398		1,071,836	1,071,836	476,438
Passed through Allegheny IJ #3										
Inclusive Practices Mini-Grant										
TOTAL U.S. DEPARTMENT OF EDUCATION		84.027	N/A	12/03/08 - 06/30/09	25,000	21,084	21,084	7,376,353	7,376,353	2,082,235
Department of Public Welfare										
Passed through Leader Services										
Medical Assistance Reimbursement										
TOTAL DEPARTMENT OF PUBLIC WELFARE		93.778	N/A	07/01/09 - 06/30/10	244,394	202,553		244,394	244,394	41,841
U.S. Department of Agriculture										
Passed through PA Department of Agriculture										
National School Lunch Program - Commodities		10.555	N/A	07/01/09 - 06/30/10	N/A	174,032	(14,591)	180,539	180,539	(8,084)
Passed through PA Department of Education										
Breakfast Program		10.553	N/A	07/01/08 - 06/30/09	N/A	13,866	13,866			
Breakfast Program		10.553	N/A	07/01/09 - 06/30/10	N/A	229,359				
National School Lunch Program		10.555	N/A	07/01/08 - 06/30/09	N/A	57,186		244,043	244,043	14,684
National School Lunch Program		10.555	N/A	07/01/09 - 06/30/10	N/A	1,061,356				
State Matching Share		N/A	N/A	07/01/08 - 06/30/09	N/A	6,489	6,489	1,061,541	1,061,541	57,185
State Matching Share		N/A	N/A	07/01/09 - 06/30/10	N/A	107,411				
TOTAL U.S. DEPARTMENT OF AGRICULTURE						1,592,699	62,950	1,599,679	1,599,679	6,145
TOTAL FEDERAL AWARDS AND CERTAIN STATE GRANTS					\$ 8,057,606	\$ 1,031,186	\$ 9,220,426	\$ 9,220,426	\$ 9,220,426	\$ 2,194,006

Source Codes
I - Indirect Funding
S - State Share

COATESVILLE AREA SCHOOL DISTRICT

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

NOTE A SCOPE OF THIS SCHEDULE

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

NOTE B BASIS OF ACCOUNTING

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

NOTE C NONMONETARY FEDERAL AWARDS - DONATED FOOD

The Commonwealth of Pennsylvania distributes federal surplus food to institutions (schools, hospitals and prisons) and to the needy. Expenditures reported in the Schedule of Expenditures of Federal Awards and Certain State Grants under CFDA #10.555 National School Lunch - Commodities represent surplus food consumed by the District during the 2009-2010 fiscal year.

NOTE D ACCESS PROGRAM

The ACCESS Program is a medical assistance program that reimburses local educational agencies for direct eligible health-related services provided to enrolled special needs students. Reimbursements are federal source revenues but are classified as fee-for-service and are not considered federal financial assistance. The amount of ACCESS funding recognized for the year ended June 30, 2010 was \$1,185,438.