

January 18, 2017

To the Board of School Directors
Coatesville Area School District
Coatesville, Pennsylvania

Partners

Robert L. Caruso
James M. Powers
Edward J. Furman
Robert L. Boland
Donald J. Pierce
Richard A. Flanagan IV
Craig S. Springer
Robert C. Hershey, Jr.
Gregory J. Shank
Laurie E. Harvey
William Breslawski, Jr.
Edward Fronczkowski

We have audited the financial statements of the Coatesville Area School District as of and for the year ended June 30, 2016, and have issued our report thereon dated January 16, 2017. Professional standards require that we advise you of the following matters relating to our audit.

OUR RESPONSIBILITY IN RELATION TO THE FINANCIAL STATEMENT AUDIT

As communicated in our engagement letter dated June 22, 2016, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Coatesville Area School District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

PLANNED SCOPE AND TIMING OF THE AUDIT

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

COMPLIANCE WITH ALL ETHICS REQUIREMENTS REGARDING INDEPENDENCE

The engagement team, others in our firm, as appropriate, our firm and our network firms have complied with all relevant ethical requirements regarding independence.

QUALITATIVE ASPECTS OF THE ENTITY'S SIGNIFICANT ACCOUNTING PRACTICES

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Coatesville Area School District is included in Note A to the financial statements. During the year, the entity adopted Governmental Accounting Standards Board (GASB) Statements No. 72, *Fair Value Measurement and Application* and No. 79 *Certain External Investment Pools and Pool Participants*. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

- Management's estimate of the accumulated depreciation and depreciation expense is based on original cost and estimated useful lives.
- Management's estimate of the other postemployment benefits (OPEB) liability is based on actuarial calculations.
- Management's estimate of employer annual pension contribution is based on actuarial calculations.

To the Board of School Directors
Coatesville Area School District

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January 18, 2017

- Management's estimate of compensated absences is calculated based on the School District's policies relating to the amount of compensated time an employee accrues based on several factors, including position and service time.
- Management's estimate of the net pension liability and related deferred inflows and outflows of resources is based on the School District's proportionate share (calculated using covered payroll) of the total net pension liability and related deferred inflows and outflows of resources as provided by PSERS.

We evaluated the key factors and assumptions used to develop the above estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the Coatesville Area School District's financial statements relate to:

The disclosure of other postemployment benefits (OPEB) in Note L of the financial statements.

SIGNIFICANT DIFFICULTIES ENCOUNTERED DURING THE AUDIT

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

UNCORRECTED AND CORRECTED MISSTATEMENTS

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures and the financial statements as a whole and each applicable opinion unit. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The attached schedule of material misstatements that we identified as a result of our audit procedures was brought to the attention of, and corrected by, management.

To the Board of School Directors
Coatesville Area School District

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DISAGREEMENTS WITH MANAGEMENT

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Coatesville Area School District's financial statements or the auditors' report. No such disagreements arose during the course of the audit.

REPRESENTATIONS REQUESTED FROM MANAGEMENT

We have requested certain written representations from management, which are included in the management representation letter dated January 16, 2017.

MANAGEMENT'S CONSULTATIONS WITH OTHER ACCOUNTANTS

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

OTHER SIGNIFICANT MATTERS, FINDINGS OR ISSUES

In the normal course of our professional association with the Coatesville Area School District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Coatesville Area School District's auditors.

MODIFICATION OF THE AUDITOR'S REPORT

We have made the following modification to our auditor's report:

For the year ended June 30, 2016, the Coatesville Area School District adopted new accounting guidance, implementing Governmental Accounting Standards Board Statements No. 72, *Fair Value Measurement and Application* and No. 79 *Certain External Investment Pools and Pool Participants*. Our opinion is not modified with respect to this matter.



To the Board of School Directors
Coatesville Area School District

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January 18, 2017

This report is intended solely for the information and use of the Board of School Directors and management of the Coatesville Area School District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Maillie LLP". The signature is written in a cursive, flowing style.

MAILLIE LLP
*Certified Public Accountants and
Business Consultants*

COATESVILLE AREA SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

Year Ended June 30, 2016



Expertise Beyond The Numbers®

Certified Public Accountants and Business Consultants

INTRODUCTORY SECTION

COATESVILLE AREA SCHOOL DISTRICT
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FINANCIAL SECTION

Independent Auditors' Report

To the Board of School Directors
Coatesville Area School District
Coatesville, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Coatesville Area School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Coatesville Area School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

To the Board of School Directors
Coatesville Area School District
Coatesville, Pennsylvania

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Coatesville Area School District as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

For the year ended June 30, 2016, the Coatesville Area School District adopted new accounting guidance, implementing Governmental Accounting Standards Board Statements No. 72, Fair Value Measurement and Application and No. 79, Certain External Investment Pools and Pool Participants. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 12, budgetary comparison information on pages 48 and 49, schedule of the school district's proportionate share of the net pension liability on page 50, schedule of school district contributions on page 51 and postemployment benefits other than pension funding progress on page 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Coatesville Area School District's basic financial statements. The schedule of expenditures of federal awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and is not a required part of the basic financial statements.

To the Board of School Directors
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Coatesville, Pennsylvania

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2017, on our consideration of the Coatesville Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Coatesville Area School District's internal control over financial reporting and compliance.

Maillie LLP

Oaks, Pennsylvania
January 16, 2017

COATESVILLE AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2016

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

FINANCIAL HIGHLIGHTS

Key financial highlights for 2015-16 are as follows:

The Net Change in the Fund Balance for Governmental Funds decreased by \$442,974. Total Governmental Funds revenues and other financing sources were \$159,464,739 compared to expenditures and other financing uses in the amount of \$159,907,713.

General Fund revenues were \$159,452,698 with other funds having total revenues of \$12,041. General Fund revenues consist of 66.7% local revenue, 31.2% state revenue, 2.1% federal revenues including grant funds. Other revenue funds consist of the Food Service Fund with revenues of \$3,054,930 and expenditures of \$3,035,821 resulting in an increase in the net position of \$19,109.

The School District had \$158,683,441 in General Fund expenses that includes \$3,382,713 for expenses that were reimbursed to the district with federal grants. Debt service expenditures included within the General Fund were \$15,149,622 or 9.6% of the total expenses.

The District's prior year General Fund balance of \$9,138,004 did meet the guidelines of Board Policy 623, which states the unassigned fund balance is not to be less than 5% of the General Fund budget expenditures nor more than 8%. If the unassigned portion of the fund balance falls below the threshold of five percent (5%), the Board will pursue variations of increasing revenues and decreasing expenditures, or a combination of both until five percent (5%) is attained. The good news is the District's General Fund ended with a positive unassigned fund balance of \$11,992,160.

OTHER POST-EMPLOYMENT BENEFITS

In accordance with the Governmental Accounting Standards Board Statement No. 45, the Coatesville Area School District employed Conrad Siegel to provide actuarial service to determine the district's liability for other post-employment benefits other than pension benefits. The District's post-employment liability as of June 30th is \$5,299,690 for the General Fund and \$85,694 for the Food Service Fund.

USING THIS ANNUAL FINANCIAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Coatesville Area School District as a financial whole, an entire operating entity.

COATESVILLE AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2016

The statement of net assets and statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For Governmental Funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with other non-major funds. In the case of Coatesville Area School District, the General Fund is by far the most significant fund.

REPORTING THE SCHOOL DISTRICT AS A WHOLE - GOVERNMENT WIDE

While this document contains all of the funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2015-2016 fiscal year. These statements include all assets and liabilities, revenue and expenses of the District using the full accrual method of accounting.

REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The School District uses many funds to account for a multitude of financial transactions. The School District's major funds are the General Fund, Capital Reserve Fund and Capital Projects Funds.

General Fund - The General Fund accounts for all financial resources of the District except those that are specifically required by law to be accounted for in another fund. These funds are reported using an accounting method called modified accrual method of accounting, which measures cash and all other financial assets that can readily be converted to cash. The General Fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. The General Fund information will help you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs.

Capital Reserve Fund - The Coatesville Area School District maintains a Capital Reserve Fund that is restricted to capital improvement expenditures.

Capital Projects Fund - Accounts for financial resources to acquire or construct major capital facilities. All fund proceeds for Capital Projects should be accounted for in this fund. The sale of general obligation bonds is the most common source of revenue.

Proprietary Fund - The Proprietary Fund uses the same basis of accounting as business-type activities. This fund accounts for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the expenses of providing the goods or services are recovered through fees and user charges rather than taxes. The District's Food Service Fund is considered a Proprietary Fund and should operate as self-funded with no support from local taxpayers.

Fiduciary Funds - Account for funds held by the District purely in a trustee capacity. The District also maintains several other scholarships funds and Student Activity Funds that are controlled by various student organizations and funded by student fundraisers.

COATESVILLE AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2016

FINANCIAL STATEMENTS

Condensed Statements of Net Position
June 30, 2015 and 2016

	Governmental Activities		Business-Type Activities		Totals	
	2015	2016	2015	2016	2015	2016
ASSETS AND DEFERRED OUTFLOWS						
Current and other assets	\$ 42,481,071	\$ 44,867,303	\$ 541,425	\$ 835,347	\$ 43,022,496	\$ 45,702,650
Capital assets	180,579,750	175,988,241	94,083	58,064	180,673,833	176,046,305
Deferred outflows of resources	11,317,591	14,611,929	203,000	269,000	11,520,591	14,880,929
TOTAL ASSETS AND DEFERRED OUTFLOWS	234,378,412	235,467,473	838,508	1,162,411	235,216,920	236,629,884
LIABILITIES AND DEFERRED INFLOWS						
Current liabilities	20,501,685	32,253,988	308,086	590,971	20,809,771	32,844,959
Long-term liabilities	337,170,101	335,819,102	3,007,803	3,209,712	340,177,904	339,028,814
Deferred inflows of resources	10,291,000	978,000	201,000	21,000	10,492,000	999,000
TOTAL LIABILITIES	367,962,786	369,051,090	3,516,889	3,821,683	371,479,675	372,872,773
NET POSITION						
Net investment in capital assets	4,634,455	3,342,031	94,083	58,064	4,728,538	3,400,095
Unrestricted	(138,218,629)	(136,925,648)	(2,772,464)	(2,717,336)	(140,991,293)	(139,642,984)
TOTAL NET POSITION	\$ (133,584,374)	\$ (133,583,617)	\$ (2,678,381)	\$ (2,659,272)	\$ (136,262,755)	\$ (136,242,889)

COATESVILLE AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2016

Statement of Activities

The Statement of Activities shows the cost of programs services, charges for services and grants received 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 government activities.

Condensed Statements of Activities
Years Ended June 30, 2015 and 2016

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>
REVENUES						
Program services						
Charges for services	\$ 563,780	\$ 618,386	\$ 721,372	\$ 612,662	\$ 1,285,152	\$ 1,231,048
Operating grants and contributions	22,633,545	29,109,339	2,388,030	2,439,622	25,021,575	31,548,961
General revenues						
Property taxes	89,530,636	92,334,780	-	-	89,530,636	92,334,780
Other taxes	8,468,316	8,118,542	-	-	8,468,316	8,118,542
Grants, subsidies and contributions not restricted	28,226,873	27,997,189	-	-	28,226,873	27,997,189
Investment earnings	62,870	132,236	87	2,646	62,957	134,882
Other revenues	123,708	531,806	-	-	123,708	531,806
TOTAL REVENUES	149,609,728	158,842,278	3,109,489	3,054,930	152,719,217	161,897,208
EXPENSES						
Instruction	97,793,963	108,943,542	-	-	97,793,963	108,943,542
Instructional student support	9,247,815	8,252,844	-	-	9,247,815	8,252,844
Administrative and financial support	11,082,237	11,730,609	-	-	11,082,237	11,730,609
Operation and maintenance of plant services	13,755,027	11,655,476	-	-	13,755,027	11,655,476
Pupil transportation	9,008,673	9,919,360	-	-	9,008,673	9,919,360
Student activities	1,146,657	1,138,730	-	-	1,146,657	1,138,730
Community service	48,578	7,770	-	-	48,578	7,770
Interest on long-term debt	7,440,911	7,193,190	-	-	7,440,911	7,193,190
Food services	-	-	3,327,805	3,035,821	3,327,805	3,035,821
TOTAL EXPENSES	149,523,861	158,841,521	3,327,805	3,035,821	152,851,666	161,877,342
CHANGE IN NET POSITION	\$ 85,867	\$ 757	\$ (218,316)	\$ 19,109	\$ (132,449)	\$ 19,866

GENERAL BUDGET INFORMATION

When the need for additional operating funds became apparent, the Board placed a .7681 mill levy on real estate taxes. This levy had set the real estate taxes at 32.7716 mills of the assessed value. The levy was anticipated to raise \$1,994,077 in revenue during 2015-2016 fiscal year.

COATESVILLE AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2016

The School District is dependent upon property taxes and is hampered by a lack of revenue growth and will regularly need to increase local taxes or eliminate staff and programs. Local taxes and revenues made up 66.7 percent of revenues for the Coatesville Area School District in fiscal year 2015-2016. Revenues are provided from the following sources:

	<u>Amounts</u>	<u>Percentage</u>
Local revenues	\$ 106,290,147	66.7%
State revenues	49,779,838	31.2%
Federal revenues	<u>3,382,713</u>	2.1%
	<u>\$ 159,452,698</u>	

Expenses consisted of the following:

Salaries	29.8%
Benefits	18.9%
Contracted professional services	11.4%
Contracted property services	1.7%
Transportation services	26.3%
Supplies	1.6%
Equipment property	0.4%
Dues, fees and debt service interest	5.5%
Other/bond principal payments	4.4%

The above expenditures were used to support the following:

Instructional programs	\$ 104,603,632
Support services	37,801,279
Operation of non-instructional services	1,128,908
Debt service/other	<u>15,149,622</u>
	<u>\$ 158,683,441</u>

The dependence upon local tax revenue is apparent. State subsidies accounted for 31.2% of the District's total revenue for the 2015-2016 school year. The community as a whole is by far the primary supporter for Coatesville Area School District students.

THE SCHOOL DISTRICT'S FUNDS

Information about the School District's major funds is stated within the Independent Auditors' Report. These funds are accounted for using the modified accrual basis of accounting. The most significant change was Unassigned General Fund Balance, which changed from \$9,138,004 to \$11,992,160. Although this is a significant change, the District needs to be cautious of the fact that the district's bond rating is A- Positive Outlook and should continue to increase the fund balance to the limit of eight percent and maintain the 8% level by transferring any surplus to the Capital Reserve fund for future capital improvements.

COATESVILLE AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2016

The School District's budget is prepared according to Pennsylvania law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2015-2016, the School District had to amend its General Fund budget numerous times in accordance with the PDE guidelines.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2016 the School District has \$175,988,241 invested in land, buildings and equipment, net of accumulated depreciation. Below is a summary of the capital assets.

	<u>2016</u>	<u>2015</u>
Land	\$ 2,812,500	\$ 2,812,500
Land improvements	7,425,060	7,425,060
Buildings and building improvements	231,136,835	229,935,473
Furniture and equipment	<u>15,289,903</u>	<u>13,536,983</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED	256,664,298	253,710,016
Accumulated depreciation	<u>(80,676,057)</u>	<u>(73,130,266)</u>
TOTAL CAPITAL ASSETS, net	<u>\$ 175,988,241</u>	<u>\$ 180,579,750</u>

Debt

As of June 30, 2016, the School District had a total debt of \$174,958,207 in bonds, net of any interest. Below is a summary of debt for the District's outstanding bond issues:

<u>Bonds/Notes Issued</u>	<u>Maturing Date</u>	<u>Outstanding Principal</u>
2007	08/15/26	\$ 63,515,000
2009	10/01/16	5,195,000
2009A	08/15/26	21,970,000
2010	08/15/31	53,400,000
2013	08/15/20	18,718,207
2014A	08/15/19	8,745,000
2014B	08/15/17	<u>3,415,000</u>
		<u>\$ 174,958,207</u>

COATESVILLE AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2016

FOR THE FUTURE

Coatesville Area School District is currently facing future financial challenges. Although the General Fund unrestricted balance has increased for the period ended June 30, 2016, the ending fund balance falls short of the not to exceed 8% the Pennsylvania Department of Education limit. As the preceding information shows, the School District heavily depends on its property taxpayers. With the passage of a .7681 mill-operating levy and collection beginning in July 2015, the School District was able to continue its education programs and increase its unassigned fund balance. However, financially, the future is not without a challenge to fund the future needs of equipment and capital improvements.

While the School District was successful in increasing its tax revenue base by \$1,994,077 annually, this increase is a one-time increase. Thus, management must diligently plan expenses, staying carefully within the School District's financial plan. Additional revenues must not be treated as a windfall to expand programs but as an opportunity to extend the time horizon to achieve reaching a positive 8% fund balance and maintain the 8% fund balance in future years.

Coatesville Area School District has not anticipated any meaningful growth in State revenue. The concern is with \$66.70 of every \$100 paid in taxes for the School District coming from local revenues could have a significant impact on the School District's residential taxpayers. This will require management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

In conclusion, Coatesville Area School District has committed itself to achieve financial excellence. The School District's systems of budgeting and internal controls need to be strengthened to maintain accurate financial data that will be necessary to meet the challenges of the future.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizen's, taxpayers, investors, and creditors with a general overview of the School District's finances, and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ronald Kabonick, Business Administrator, Coatesville Area School District, 3030 C. G. Zinn Road, Thorndale, PA 19372. Or send e-mails to Kabonickr@casdschools.org.

COATESVILLE AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 16,195,934	\$ 1,930,984	\$ 18,126,918
Investments	11,000,000	-	11,000,000
Taxes receivable	6,148,406	-	6,148,406
Internal balances	1,202,899	(1,202,899)	-
Due from other governments	9,419,311	69,642	9,488,953
Other receivables	900,652	11,330	911,982
Prepaid expenses	101	-	101
Inventories	-	26,290	26,290
Capital assets			
Land	2,812,500	-	2,812,500
Land improvements	7,425,060	-	7,425,060
Buildings and building improvements	231,136,835	-	231,136,835
Furniture and equipment	15,289,903	1,555,042	16,844,945
Accumulated depreciation	(80,676,057)	(1,496,978)	(82,173,035)
TOTAL ASSETS	220,855,544	893,411	221,748,955
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amounts on refunding	834,929	-	834,929
Deferred outflows of resources, pension activity	13,777,000	269,000	14,046,000
TOTAL DEFERRED OUTFLOWS OF RESOURCES	14,611,929	269,000	14,880,929
LIABILITIES			
Accounts payable and accrued expenses	9,123,544	18,015	9,141,559
Accrued salaries and benefits	10,462,802	572,956	11,035,758
Accrued interest	2,874,912	-	2,874,912
Unearned revenues	1,479,984	-	1,479,984
Long-term liabilities			
Portion due or payable within one year			
Bonds payable, net	8,152,100	-	8,152,100
Compensated absences	160,646	-	160,646
Portion due or payable after one year			
Bonds payable, net	169,832,594	-	169,832,594
Net pension liability	159,241,000	3,104,000	162,345,000
Other postemployment benefits	5,299,690	85,694	5,385,384
Compensated absences	1,445,818	20,018	1,465,836
TOTAL LIABILITIES	368,073,090	3,800,683	371,873,773
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources, pension activity	978,000	21,000	999,000
NET POSITION			
Net investment in capital assets	3,342,031	58,064	3,400,095
Unrestricted	(136,925,648)	(2,717,336)	(139,642,984)
TOTAL NET POSITION	\$ (133,583,617)	\$ (2,659,272)	\$ (136,242,889)

See accompanying notes to the basic financial statements.

COATESVILLE AREA SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
Instruction	\$ 108,943,542	\$ 535,766	\$ 15,265,689	\$ -
Instructional student support	8,252,844	-	840,151	-
Administrative and financial support services	11,730,609	-	743,015	-
Operation and maintenance of plant services	11,655,476	-	778,542	-
Pupil transportation	9,919,360	-	5,794,716	-
Student activities	1,138,730	82,620	67,457	-
Community services	7,770	-	-	-
Interest on long-term debt	7,193,190	-	5,619,769	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>158,841,521</u>	<u>618,386</u>	<u>29,109,339</u>	<u>-</u>
BUSINESS-TYPE ACTIVITIES				
Food service	<u>3,035,821</u>	<u>612,662</u>	<u>2,439,622</u>	<u>-</u>
TOTAL SCHOOL DISTRICT ACTIVITIES	<u>\$ 161,877,342</u>	<u>\$ 1,231,048</u>	<u>\$ 31,548,961</u>	<u>\$ -</u>

GENERAL REVENUES

- Property taxes, levied for general purposes
- Taxes levied for specific purposes
- Grants and entitlements not restricted to specific programs
- Investment earnings
- Miscellaneous

TOTAL GENERAL REVENUES

CHANGE IN NET POSITION

NET POSITION AT BEGINNING OF YEAR

NET POSITION AT END OF YEAR

See accompanying notes to the basic financial statements.

<u>Net (Expense) Revenue and Changes in Net Position</u>		
<u>Governmental</u>	<u>Business-Type</u>	<u>Totals</u>
<u>Activities</u>	<u>Activities</u>	
\$ (93,142,087)	\$ -	\$ (93,142,087)
(7,412,693)	-	(7,412,693)
(10,987,594)	-	(10,987,594)
(10,876,934)	-	(10,876,934)
(4,124,644)	-	(4,124,644)
(988,653)	-	(988,653)
(7,770)	-	(7,770)
<u>(1,573,421)</u>	<u>-</u>	<u>(1,573,421)</u>
<u>(129,113,796)</u>	<u>-</u>	<u>(129,113,796)</u>
<u>-</u>	<u>16,463</u>	<u>16,463</u>
<u>(129,113,796)</u>	<u>16,463</u>	<u>(129,097,333)</u>
92,334,780	-	92,334,780
8,118,542	-	8,118,542
27,997,189	-	27,997,189
132,236	2,646	134,882
531,806	-	531,806
<u>129,114,553</u>	<u>2,646</u>	<u>129,117,199</u>
757	19,109	19,866
<u>(133,584,374)</u>	<u>(2,678,381)</u>	<u>(136,262,755)</u>
<u>\$ (133,583,617)</u>	<u>\$ (2,659,272)</u>	<u>\$ (136,242,889)</u>

COATESVILLE AREA SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Fund	Capital Reserve Fund	Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 12,879,880	\$ 90,341	\$ 3,225,713	\$ 16,195,934
Investments	7,000,000	-	4,000,000	11,000,000
Taxes receivable	6,148,406	-	-	6,148,406
Due from other funds	1,202,899	-	-	1,202,899
Due from other governments	9,419,311	-	-	9,419,311
Other receivables	871,291	-	29,361	900,652
Prepaid items	101	-	-	101
TOTAL ASSETS	\$ 37,521,888	\$ 90,341	\$ 7,255,074	\$ 44,867,303
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 9,100,095	\$ -	\$ 23,449	\$ 9,123,544
Accrued salaries and benefits	10,462,802	-	-	10,462,802
TOTAL LIABILITIES	19,562,897	-	23,449	19,586,346
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue				
Property taxes	5,966,730	-	-	5,966,730
TOTAL DEFERRED INFLOWS OF RESOURCES	5,966,730	-	-	5,966,730
FUND BALANCES				
Nonspendable, prepaid expenses	101	-	-	101
Restricted, capital projects	-	90,341	7,231,625	7,321,966
Unassigned	11,992,160	-	-	11,992,160
TOTAL FUND BALANCES	11,992,261	90,341	7,231,625	19,314,227
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 37,521,888	\$ 90,341	\$ 7,255,074	\$ 44,867,303

See accompanying notes to the basic financial statements.

COATESVILLE AREA SCHOOL DISTRICT
RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2016

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 19,314,227
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. These assets consist of:</p>	
Land	2,812,500
Land improvements	7,425,060
Buildings and building improvements	231,136,835
Furniture and equipment	15,289,903
Accumulated depreciation	(80,676,057)
<p>Deferred charges used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:</p>	
Deferred amounts on refunding	834,929
<p>Deferred inflows and outflows of resources related to pension activities are not financial resources and therefore are not reported in the governmental funds.</p>	
	12,799,000
<p>Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:</p>	
Accrued interest	(2,874,912)
Bonds payable	(177,984,694)
Compensated absences	(1,606,464)
Net pension liability	(159,241,000)
Net OPEB obligation	(5,299,690)
<p>Some of the School 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.</p>	
	<u>4,486,746</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (133,583,617)</u>

See accompanying notes to the basic financial statements.

COATESVILLE AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	General Fund	Capital Reserve Fund	Capital Projects Fund	Total Governmental Funds
REVENUES				
Local sources	\$ 106,290,147	\$ 112	\$ 11,929	\$ 106,302,188
State sources	49,779,838	-	-	49,779,838
Federal sources	3,382,713	-	-	3,382,713
TOTAL REVENUES	159,452,698	112	11,929	159,464,739
EXPENDITURES				
Instruction	104,603,632	-	-	104,603,632
Support services	37,801,279	-	76	37,801,355
Operation of non-instructional services	1,128,908	-	-	1,128,908
Facilities acquisition, construction and improvement services	-	-	1,224,196	1,224,196
Debt service	15,149,622	-	-	15,149,622
TOTAL EXPENDITURES	158,683,441	-	1,224,272	159,907,713
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	769,257	112	(1,212,343)	(442,974)
FUND BALANCES AT BEGINNING OF YEAR	11,223,004	90,229	8,443,968	19,757,201
FUND BALANCES AT END OF YEAR	\$ 11,992,261	\$ 90,341	\$ 7,231,625	\$ 19,314,227

See accompanying notes to the basic financial statements.

COATESVILLE AREA SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (442,974)
Capital outlays are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlay in the current period.	(4,591,509)
Deferred charges are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the term lives of debt instruments as amortization expense.	(55,662)
Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net position.	7,999,881
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in Governmental Funds:	
Accrued interest not reflected in Governmental Funds	12,213
Pension plan expense	(2,618,000)
In the statement of activities, certain operating expenses--compensated absences (vacations and sick leave) and special termination benefits (early retirement)--are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	420,026
The net change in the liability for the net OPEB obligation is reported in the government-wide statements but not in the Governmental Funds statements.	(100,654)
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.	(622,564)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u>757</u>

See accompanying notes to the basic financial statements.

COATESVILLE AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2016

	Enterprise Fund <u>Food Service Fund</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 1,930,984
Due from other governments	69,642
Other receivables	11,330
Inventories	<u>26,290</u>
TOTAL CURRENT ASSETS	<u>2,038,246</u>
CAPITAL ASSETS	
Furniture and equipment	1,555,042
Accumulated depreciation	<u>(1,496,978)</u>
TOTAL CAPITAL ASSETS	<u>58,064</u>
TOTAL ASSETS	<u>2,096,310</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources, pension activity	<u>269,000</u>
CURRENT LIABILITIES	
Accounts payable and accrued liabilities	590,971
Due to other funds	<u>1,202,899</u>
TOTAL CURRENT LIABILITIES	<u>1,793,870</u>
NONCURRENT LIABILITIES	
Compensated absences	20,018
Other postemployment benefits	85,694
Net pension liability	<u>3,104,000</u>
TOTAL NONCURRENT LIABILITIES	<u>3,209,712</u>
TOTAL LIABILITIES	<u>5,003,582</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resource, pension activity	<u>21,000</u>
NET POSITION	
Net investment in capital assets	58,064
Unrestricted	<u>(2,717,336)</u>
TOTAL NET POSITION	<u>\$ (2,659,272)</u>

See accompanying notes to the basic financial statements.

COATESVILLE AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2016

	Enterprise Fund
	<u>Food</u>
	<u>Service Fund</u>
OPERATING REVENUES	
Charges for services	\$ 508,915
Miscellaneous	<u>103,747</u>
TOTAL OPERATING REVENUES	<u>612,662</u>
OPERATING EXPENSES	
Salaries	837,954
Employee benefits	630,661
Purchased professional and technical services	8,550
Purchased property services	9,565
Other purchased services	1,488
Supplies	1,510,953
Depreciation	36,019
Other operating expenses	631
TOTAL OPERATING EXPENSES	<u>3,035,821</u>
OPERATING LOSS	<u>(2,423,159)</u>
NONOPERATING REVENUES	
Earnings on investments	2,646
State sources	109,552
Federal sources	<u>2,330,070</u>
TOTAL NONOPERATING REVENUES	<u>2,442,268</u>
CHANGE IN NET POSITION	19,109
NET POSITION AT BEGINNING OF YEAR	<u>(2,678,381)</u>
NET POSITION AT END OF YEAR	<u>\$ (2,659,272)</u>

See accompanying notes to the basic financial statements.

COATESVILLE AREA SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2016

	Enterprise Fund <u>Food Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 609,850
Payments to employees	(1,512,706)
Payments to suppliers	(1,200,601)
NET CASH USED BY OPERATING ACTIVITIES	<u>(2,103,457)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Due to other funds	(243,040)
Federal sources	2,338,862
State sources	110,774
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>2,206,596</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on investments	<u>2,646</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	105,785
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,825,199</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,930,984</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	\$ (2,423,159)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	36,019
Pension expense	52,000
Increase in	
Other receivables	(2,812)
Inventories	10,651
Increase in	
Accounts payable and accrued liabilities	319,935
Compensated absences	(94,866)
Other postemployment benefits	(1,225)
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (2,103,457)</u>
SUPPLEMENTAL DISCLOSURES	
Noncash activities	
Donated commodities	\$ 205,730

See accompanying notes to the basic financial statements.

COATESVILLE AREA SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

	Private Purpose Trust Fund	Agency Fund
ASSETS		
Cash and cash equivalents	\$ 151,612	\$ 285,240
Due from other funds	<u>47,645</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 199,257</u>	<u>\$ 285,240</u>
LIABILITIES AND NET POSITION		
LIABILITIES		
Accounts payable	\$ 1,035	\$ 237,595
Due to other funds	<u>-</u>	<u>47,645</u>
TOTAL LIABILITIES	<u>1,035</u>	<u>\$ 285,240</u>
NET POSITION		
Held in trust for benefits and other purposes	<u>198,222</u>	
TOTAL LIABILITIES AND NET POSITION	<u>\$ 199,257</u>	

See accompanying notes to the basic financial statements.

COATESVILLE AREA SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2016

	<u>Private Purpose Trust Fund</u>
ADDITIONS	
Contributions, local	\$ 119,645
Investment earnings	<u>214</u>
TOTAL ADDITIONS	119,859
DEDUCTIONS	
Scholarships	<u>89,595</u>
CHANGE IN NET POSITION	30,264
NET POSITION AT BEGINNING OF YEAR	<u>167,958</u>
NET POSITION AT END OF YEAR	<u><u>\$ 198,222</u></u>

See accompanying notes to the basic financial statements.

COATESVILLE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The 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 (Caln, East Fallowfield, Sadsbury, Valley, West Brandywine and West Caln). 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 described below.

Reporting Entity

The accompanying basic financial statements comply with the provisions of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, in that the financial statements include all organizations, activities and functions for which the District is financially accountable. Financial accountability is defined as the appointment of a voting majority of a component unit's board and either (1) the District's ability to impose its will over a component unit, or (2) the possibility that the component unit will provide a financial benefit or impose a financial burden on the District. In addition, component units can be other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading. This report presents the activities of Coatesville Area School District. The District is not a component unit of another reporting entity nor does it have any 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, 2016, the District's share of operating costs was \$2,600,984. 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.

COATESVILLE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation and Accounting

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities. These statements include the primary financial activities of the District, except for Fiduciary Funds.

The government-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 Funds financial statements are prepared. Therefore, Governmental Funds financial statements include a reconciliation with brief explanations to better identify the relationship between the government-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 government-wide financial statements report net position in one of three components. Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of borrowing attributable to acquiring, constructing, or improving those assets. Net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Those restrictions affect net position arising from Special Revenue and Capital Projects Funds. Unrestricted net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted."

COATESVILLE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Fiduciary Funds financial statements are presented by fund type.

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 Fund* 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 unearned 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 Funds 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.

COATESVILLE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Fund - The Proprietary Fund is accounted for using the accrual basis of accounting. This fund accounts 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.

This fund distinguishes 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.

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 Fund, 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.

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.

Under Act No. 72, enacted by the General Assembly of the Commonwealth of Pennsylvania, the funds deposited with the various banks are permitted to be secured on a pooled basis with all other public funds which the banking institution has on deposit. These may be bonds of the United States, any state of the United States, or bonds of any political subdivision of Pennsylvania or the general state authority or their authorities created by the General Assembly of the Commonwealth of Pennsylvania, or insured with the Federal Deposit Insurance Corporation. The market value of such bonds pledged must equal 120% of the funds deposited. The security pledged by the various depositories utilized during the year and at June 30, 2016, was in excess of the minimum requirements just described.

COATESVILLE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The School District has adopted GASB Statements No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, No. 72, Fair Value Measurement and Application and No. 79, Certain External Investment Pools and Pool Participants. In accordance with these Statements, investments in marketable securities with readily determinable fair value and all investments in debt securities are reported at their fair values. Investments in qualifying external investment pools are reported at amortized cost basis.

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 government-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 and retain future delinquent property tax revenues. This agreement qualifies as a collateralized borrowing in accordance with GASB Statement No. 48. 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 position and as another 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 position.

Property Taxes

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

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

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 2015-2016 was 32.7717 mills (\$32.7717 for \$1,000 of assessed valuation) for the entire District.

COATESVILLE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prepaid Items and Inventories

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-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 government-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 asset lives are not capitalized.

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

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

	<u>Years</u>
School buildings and improvements	20-50
Site improvements	15-20
Equipment	5-10
Vehicles	8-15
Library books	5-7

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 a long-term liability in the government-wide financial statements. The current portion of this liability 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.

COATESVILLE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Obligations

In the government-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 netted against outstanding principal balances amortized over the life of the bonds. Bond issuance costs are expensed when incurred. Deferred amounts on refunding are recorded as a deferred inflow or outflow of resources and amortized over the life of the old debt or the life of the new debt, whichever is shorter. All amortized amounts are amortized using the straight-line method.

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

Deferred Inflows and Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District has only two items that qualify for reporting in this category. They are the deferred amounts on refunding reported in the government-wide statement of net position and the deferred outflow related to pension activity, reported in the government-wide statement of net position and the proprietary fund statement of net position. A deferred amount on refunding results from the difference in the carrying value of refunded debt and its reacquisition prices. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflow related to pension activity is the result of changes in the School District's proportionate share of the total plan from year to year, the difference between actual employer contributions and the School District's proportionate share of total contributions, and actual contributions subsequent to the measurement date.

In addition to liabilities, the statement of financial position will sometimes report a separate section of deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has two items that qualify for reporting in this category. The first item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. The second item, deferred inflows related to pension activity, are reported in the government-wide statement of net position and the proprietary fund statement of net position. The deferred inflow related to the pension activity is the result of differences between projected and actual investment earnings. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

COATESVILLE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No. 54

As of June 30, 2011, the District has adopted GASB Statement No. 54, which redefined how fund balances of the Governmental Funds are presented in the financial statements. Fund balances are classified as follows:

- ***Nonspendable*** - Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.
- ***Restricted*** - Amounts that can be spent only for specific purposes because of state or federal laws or externally imposed conditions by grantors or creditors.
- ***Committed*** - Amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (resolution by the Board of School Directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level of action to remove or change the constraint.
- ***Assigned*** - Amounts that are intended to be used for a specific purpose, as expressed by the Board of School Directors or by an official or body to which the Board of School Directors delegates the authority. The Board has not delegated the authority to assign amounts to be used for a specific purpose.
- ***Unassigned*** - All amounts not included in other spendable classifications.

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The details of the fund balances are included in the Governmental Funds balance sheet (page 15). Restricted funds are used first as appropriate, followed by committed resources and then assigned resources, to the extent that expenditure authority has been budgeted by the Board of School Directors. The District does reserve the right to first reduce unassigned fund balance to defer the use of these other classified funds. In the event that unassigned fund balance becomes zero, then assigned and committed fund balances are used in that order.

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.

COATESVILLE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

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 that will be held on the proposed operating budget must be included in the advertisement; such hearings are required to be scheduled at least ten 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 C - CASH 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, 2016, the carrying amount of the District's deposits was \$18,563,770 and the bank balance was \$19,431,996. Cash deposits in the amount of \$19,431,996 are uninsured and uncollateralized, and are in the Pennsylvania School District Liquid Asset Fund ("PSDLAF") and the Pennsylvania Local Government Investment Trust ("PLGIT"). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PSDLAF and PLGIT act like money market mutual funds in that their objective is to maintain stable net asset value of \$1 per share, is rated by a nationally recognized statistical rating organization and is subject to an independent annual audit. As of June 30, 2016, PSDLAF and PLGIT were rated as AAAM by a nationally recognized statistical rating agency.

Investments

As of June 30, 2016, the School District had the following investments and maturities:

<u>Investment Type</u>	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Investment Maturities</u>	
			<u>Less Than One Year</u>	<u>One to Five Years</u>
State investment pools	\$ <u>11,000,000</u>	\$ <u>-</u>	\$ <u>11,000,000</u>	\$ <u>-</u>

COATESVILLE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE C - CASH AND INVESTMENTS (Continued)

The School District's investments are in the PSDLAF and PLGIT programs, of which are funds similar to mutual funds. GASB Statement No. 3, Paragraph 69, provides that certain types of cash and investments, such as cash investments in a State Treasurer's investment pool or mutual fund, cannot be assigned a credit risk category because the government does not own specific securities. Therefore, the PSDLAF and PLGIT cash investments included in these statements will not be assigned a credit risk category. The carrying amount of these investments at June 30, 2016, is \$11,000,000. These assets maintain a stable net asset value of \$1 per share. PSDALF is not SEC-registered. All investments are monitored weekly by Standard & Poor's and are subject to an independent audit on an annual basis.

Investments held with qualifying external state investment pools are valued at amortized cost in accordance with GASB Statement No. 79.

The School District had \$11,000,000 invested in PSDLAF CD program accounts at June 30, 2016. These investments generally must be held to maturity. CD programs are subject to withdrawal restrictions at the applicable banks.

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, 2016, 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, 2016, PSDLAF and PLGIT were rated as AAAM by a nationally recognized statistical rating organization.

COATESVILLE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE D - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016, was as follows:

	Balance July 1, 2015	Additions	Reclassifications/ Deletions	Balance June 30, 2016
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 2,812,500	\$ -	\$ -	\$ 2,812,500
Construction in progress	-	-	-	-
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	2,812,500	-	-	2,812,500
Capital assets being depreciated				
Land improvements	7,425,060	-	-	7,425,060
Buildings and building improvements	229,935,473	1,201,362	-	231,136,835
Furniture and equipment	13,536,983	1,752,920	-	15,289,903
TOTAL CAPITAL ASSETS BEING DEPRECIATED	250,897,516	2,954,282	-	253,851,798
Accumulated depreciation				
Land improvements	(8,582,371)	(23,259)	1,506,294	(7,099,336)
Buildings and building improvements	(51,410,678)	(7,189,046)	(3,506,188)	(62,105,912)
Furniture and equipment	(13,137,216)	(333,486)	1,999,894	(11,470,808)
TOTAL ACCUMULATED DEPRECIATION	(73,130,265)	(7,545,791)	-	(80,676,056)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	177,767,251	(4,591,509)	-	173,175,742
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	180,579,751	(4,591,509)	-	175,988,242
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated				
Furniture and equipment	1,555,042	-	-	1,555,042
Accumulated depreciation	(1,460,959)	(36,019)	-	(1,496,978)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	94,083	(36,019)	-	58,064
CAPITAL ASSETS, net	\$ 180,673,834	\$ (4,627,528)	\$ -	\$ 176,046,306

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

GOVERNMENTAL ACTIVITIES	
Instruction	\$ 2,641,027
Operation and maintenance of plant service	150,916
Student transportation services	754,579
Central and other support services	150,916
Facilities and construction	3,848,353
TOTAL DEPRECIATION EXPENSE, GOVERNMENTAL ACTIVITIES	\$ 7,545,791
BUSINESS-TYPE ACTIVITIES	\$ 36,019

COATESVILLE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE E - INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS

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

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 1,202,899	\$ -
Food Service Fund	<u>-</u>	<u>1,202,899</u>
	<u>1,202,899</u>	<u>1,202,899</u>
Trust Fund	47,645	-
Agency Fund	<u>-</u>	<u>47,645</u>
	<u>47,645</u>	<u>47,645</u>
	<u>\$ 1,250,544</u>	<u>\$ 1,250,544</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.

NOTE F - 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, 2016:

	<u>Balance July 1, 2015</u>	<u>Additions</u>
GOVERNMENTAL ACTIVITIES		
Bonds payable	\$ 185,984,575	\$ -
Accumulated compensated absences	2,026,490	-
Net pension liability	143,960,000	15,281,000
Other postemployment benefits	<u>5,199,036</u>	<u>100,654</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 337,170,101</u>	<u>\$ 15,381,654</u>
BUSINESS-TYPE ACTIVITIES		
Accumulated compensated absences	\$ 114,884	\$ -
Net pension liability	2,806,000	298,000
Other postemployment benefits	<u>86,919</u>	<u>-</u>
TOTAL BUSINESS-TYPE ACTIVITIES	<u>\$ 3,007,803</u>	<u>\$ 298,000</u>

<u>Reductions</u>	<u>Balance June 30, 2016</u>	<u>Due Within One Year</u>
\$ (7,999,881)	\$ 177,984,694	\$ 8,152,100
(420,026)	1,606,464	160,646
-	159,241,000	-
-	5,299,690	-
<u>\$ (8,419,907)</u>	<u>\$ 344,131,848</u>	<u>\$ 8,312,746</u>
\$ (94,866)	\$ 20,018	\$ -
-	3,104,000	-
(1,225)	85,694	-
<u>\$ (96,091)</u>	<u>\$ 3,209,712</u>	<u>\$ -</u>

COATESVILLE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE F - GENERAL LONG-TERM DEBT (Continued)

Bonds payable, net, consists of the following:

Bonds payable, at face	\$ 174,958,207
Bond premiums/(discounts), net	<u>3,026,487</u>
TOTAL BONDS PAYABLE, net	<u>\$ 177,984,694</u>

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

General Obligation Bonds are as follows:

Series of 2007, maturing August 15, 2026, bearing interest ranging from 4.25% to 5.00%, interest payable semiannually on February 1 and August 1	\$ 63,515,000
Series of 2009, maturing October 1, 2016, bearing interest ranging from 4.00% to 5.00%, interest payable semiannually on February 15 and August 15	5,195,000
Series A of 2009, maturing August 15, 2026, bearing interest ranging from 4.00% to 5.00%, interest payable semiannually on February 15 and August 15	21,970,000
Series of 2010, maturing August 2031, bearing interest ranging from 2.25% to 5.00%, interest payable semiannually on February 15 and August 15	53,400,000
Series of 2013, maturing August 2020, bearing interest ranging from 1.33% to 4.13%, interest payable semiannually on February 15 and August 15	18,718,207
Series A of 2014, maturing August 2019, bearing interest ranging from 1.00% to 4.00%, interest payable semiannually on February 15 and August 15	8,745,000
Series B of 2014, maturing August 2017, bearing interest ranging from 1.32% to 2.30%, interest payable semiannually on February 15 and August 15	<u>3,415,000</u>
TOTAL GENERAL OBLIGATION BONDS	<u>\$ 174,958,207</u>

COATESVILLE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE F - GENERAL LONG-TERM DEBT (Continued)

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

Year Ending June 30,	Principal	Interest	Totals
2017	\$ 7,950,334	\$ 7,203,627	\$ 15,153,961
2018	7,437,064	7,716,315	15,153,379
2019	7,556,705	8,223,664	15,780,369
2020	8,855,989	7,033,087	15,889,076
2021	7,903,115	7,988,564	15,891,679
2022 to 2026	59,435,000	25,158,529	84,593,529
2027 to 2031	75,460,000	9,132,000	84,592,000
2032	360,000	8,100	368,100
	<u>\$ 174,958,207</u>	<u>\$ 72,463,886</u>	<u>\$ 247,422,093</u>

NOTE G - OPERATING LEASES

The District currently is obligated under an operating lease agreement for office equipment. The following is a schedule by years of future minimum lease payments:

Year Ending June 30,	
2017	\$ 161,348
2018	<u>161,348</u>
	<u>\$ 322,696</u>

Rental expense, including short-term rentals, for the year ended June 30, 2016, was \$642,801.

COATESVILLE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE H - PENSION PLAN

Summary of Significant Accounting Policies

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

General Information About the Pension Plan

Plan Description - PSERS is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.state.pa.us.

Benefits Provided - PSERS provides retirement, disability and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum three years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending on membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

COATESVILLE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE H - PENSION PLAN (Continued)

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

Contributions

Members Contributions

- Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.
- Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.
- Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with services rendered on or after January 1, 2002.
- Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and the Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

Employer Contributions

The School District's contractually required contribution rate for the fiscal year ended June 30, 2016, was 25.00% of covered payroll, actuarially determined as an amount that, when combined with employee contributions is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the plan from the School District were \$11,959,000 for the year ended June 30, 2016.

COATESVILLE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE H - PENSION PLAN (Continued)

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

At June 30, 2016, the School District reported a liability of \$162,345,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2014 to June 30, 2015. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2015, the School District's proportion was 0.3748% which was an increase of 0.0040% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the School District recognized pension expense of \$14,629,000. At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
GOVERNMENTAL ACTIVITIES		
Difference between expected and actual experience	\$ -	\$ 655,000
Changes in assumptions	-	-
Net difference between projected and actual investment earnings	-	323,000
Changes in proportions	1,773,000	-
Difference between employer contributions and proportionate share of total contributions	274,000	-
Contributions subsequent to the measurement date	<u>11,730,000</u>	<u>-</u>
	<u>\$ 13,777,000</u>	<u>\$ 978,000</u>
BUSINESS-TYPE ACTIVITIES		
Difference between expected and actual experience	\$ -	\$ 15,000
Changes in assumptions	-	-
Net difference between projected and actual investment earnings	-	6,000
Changes in proportions	35,000	-
Difference between employer contributions and proportionate share of total contributions	5,000	-
Contributions subsequent to the measurement date	<u>229,000</u>	<u>-</u>
	<u>\$ 269,000</u>	<u>\$ 21,000</u>

COATESVILLE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE H - PENSION PLAN (Continued)

\$11,959,000 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the new pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2017	\$ (339,000)	\$ (7,000)
2018	(339,000)	(7,000)
2019	(339,000)	(7,000)
2020	<u>2,086,000</u>	<u>40,000</u>
	<u>\$ 1,069,000</u>	<u>\$ 19,000</u>

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

- **Actuarial Cost Method** - Entry Age Normal - level % of pay
- **Investment Return** - 7.5%, includes inflation at 3.00%
- **Salary Increases** - Effective average of 5.50%, which reflects an allowance for inflation of 3.00, real wage growth of 1% and merit or seniority increases of 1.50%
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Table (male and female) with age set back three years for both males and females. For disabled annuitants, the RP-2000 Combined Disabled Tables (male and female) with age set back seven years for males and three years for females.

COATESVILLE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE H - PENSION PLAN (Continued)

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public markets global equity	22.5%	4.8%
Private markets (equity)	15.0%	6.6%
Private real estate	12.0%	4.5%
Global fixed income	7.5%	2.4%
U.S. long treasuries	3.0%	1.4%
TIPS	12.0%	1.1%
High yield bonds	6.0%	3.3%
Cash	3.0%	0.7%
Absolute return	10.0%	4.9%
Risk parity	10.0%	3.7%
MLPs/infrastructure	5.0%	5.2%
Commodities	8.0%	3.1%
Financing (LIBOR)	<u>-14.0%</u>	1.1%
	<u>100.0%</u>	

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

COATESVILLE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE H - PENSION PLAN (Continued)

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

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability, calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
School District's proportionate share of the net pension liability	\$ 200,107,000	\$ 162,345,000	\$ 130,608,000

Pension Plan Fiduciary Net Position - Detailed information about PSERS's fiduciary net position is available in the PSERS Comprehensive Annual Financial Report which can be found on the System's website at www.psers.state.pa.us.

NOTE I - 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, 2016.

Change in Aggregate Claims Liabilities

Change in aggregate claims liabilities for the year ended June 30, 2016, consisted of the following:

CLAIMS LIABILITY, BEGINNING OF YEAR	\$ 2,062,449
Current year claims and changes in estimates	14,186,129
Claim payments by the District	<u>(14,094,640)</u>
CLAIMS LIABILITY, END OF YEAR	\$ <u>2,153,938</u>

The liability is included in accrual salaries and benefits in the financial statements. Self-Insurance benefits also are offered to retired District employees according to the provisions set forth in each bargaining unit's ERIP agreement. Currently, 115 retirees are eligible for benefits, which are financed on a pay-as-you-go basis. The total amount of benefits paid was \$1,446,193 for the year ended June 30, 2016.

COATESVILLE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE J - 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.

Tax Increment Financing Plan and Cooperation Agreement

On July 18, 2005, the Board of School Directors of the District adopted a Resolution approving a Tax Increment Financing (TIF) Plan for the Hotel-Office Complex Project to construct a hotel and four office buildings at the intersection of Route 82 and the Route 30 Bypass in Coatesville, Pennsylvania. The TIF District is comprised of three tax parcels. A private developer, Oliver Tyrone Pulver Corporation, will construct a hotel and a 90,000 square foot office building. The Redevelopment Authority of the City of Coatesville (the "Authority") designed the TIF Plan to finance the project. The Tax Increment Financing Act (P.L. 465 July 11, 1990), as amended, grants this power to development authorities.

The TIF Plan calls for the developer to fund the project costs through a \$4,000,000 HUD loan, \$12,500,000 from governmental grants, \$3,800,000 from the proceeds of the TIF debt and \$12,689,000 from the developer's equity.

The District's election to participate in the Plan shall not, in any way, pledge or obligate the credit or taxing power of the District, nor shall the District be liable for the payment of principal of, or interest on, any obligations issued by the Authority.

In addition, the Board of School Directors of the District authorized the execution of a Cooperation Agreement among the Authority, the District, the County and the City of Coatesville, which sets forth and confirms the basic terms and conditions of the TIF Plan.

The Tax Increment District was created as of January 31, 2006. The Tax Increment District shall continue in existence until January 31, 2026. Commencing with the collection of the Tax Increment in calendar year 2006, the District will pay to the issuer an amount equal to 100% of the Tax Increment received by the District during the term of the Tax Increment District.

COATESVILLE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE J - COMMITMENTS AND CONTINGENCIES (Continued)

The tax assessor for the County has determined the full aggregate market value of the taxable property in the Tax Increment District to be \$38,427. This shall be considered the base assessed value of the taxable property in the Tax Increment District, and the real estate tax calculated at the current millage will be the amount earned by the District. The difference between the base assessed value of the TIF District parcel and the reassessed value is the Tax Assessment Increment. In accordance with the cooperation agreement, 100% of the Tax Increment has to be paid to the Authority when the owners of the TIF parcels pay the annual school real estate tax bill.

NOTE K - 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 of insurance coverages in the 2015-2016 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE L - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

The District's postemployment 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 2016, the District contributed \$233,238 to the plan for current premiums.

COATESVILLE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE L - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), 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 cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The components of the District's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the District's net OPEB obligation to the plan are as follows:

Normal cost	\$ 2,542,881
Interest on net OPEB obligation	237,868
ANNUAL REQUIRED CONTRIBUTION (ARC)	<u>2,780,749</u>
Adjustment to ARC	(1,024,827)
ANNUAL OPEB EXPENSE	<u>1,755,922</u>
Net OPEB contributions during the year	<u>(1,656,493)</u>
INCREASE IN NET OPEB OBLIGATION	99,429
Net OPEB obligation at beginning of year	<u>5,285,955</u>
NET OPEB OBLIGATION AT END OF YEAR	<u>\$ 5,385,384</u>

<u>Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2014	\$ 2,772,010	92.0%	\$ 5,083,535
2015	2,744,355	92.6%	5,285,955
2016	1,755,922	94.3%	5,385,384

Funded Status and Funding Progress

As of June 30, 2015, the actuarial accrued liability for benefits was \$11,434,229 and the actuarial value of assets was \$0, all of which was unfunded.

The projection of future benefit payments for an ongoing plan involves 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 the healthcare cost trend. 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.

COATESVILLE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE L - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

The schedule of funding progress, presented as required supplementary information on page 52, will present multiyear trend information in the future about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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 methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2015 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.50% investment rate of return and an annual healthcare cost trend rate of 6.00% in 2015, reduced by decrements of 0.5% per year to an ultimate rate of 5.50% in 2016. The UAAL is being amortized based on the level dollar, six year open period. The remaining amortization period at June 30, 2015, was seven years.

REQUIRED SUPPLEMENTARY INFORMATION

COATESVILLE AREA SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 98,995,400	\$ 98,995,400	\$ 106,290,147	\$ 7,294,747
State sources	47,594,613	47,594,613	49,779,838	2,185,225
Federal sources	2,830,388	2,830,388	3,382,713	552,325
TOTAL REVENUES	149,420,401	149,420,401	159,452,698	10,032,297
EXPENDITURES				
Instruction				
Regular programs	62,066,649	62,066,649	67,772,988	(5,706,339)
Special programs	27,884,949	27,884,949	33,125,907	(5,240,958)
Vocational programs	3,425,918	3,425,918	3,425,479	439
Other instructional programs	288,573	288,573	279,258	9,315
TOTAL INSTRUCTION	93,666,089	93,666,089	104,603,632	(10,937,543)
Support services				
Pupil personnel services	3,864,006	3,864,006	4,378,489	(514,483)
Instructional staff services	3,448,731	3,448,731	2,519,426	929,305
Administrative services	6,845,010	6,845,010	7,621,859	(776,849)
Pupil health	1,004,915	1,004,915	1,094,252	(89,337)
Business services	1,357,536	1,357,536	1,101,615	255,921
Operation and maintenance of plant services	10,183,108	10,183,108	9,225,685	957,423
Student transportation services	8,195,901	8,195,901	9,158,819	(962,918)
Central support services	1,385,159	1,385,159	2,645,288	(1,260,129)
Other support services	-	-	55,846	(55,846)
TOTAL SUPPORT SERVICES	36,284,366	36,284,366	37,801,279	(1,516,913)
Operation of non-instructional services				
Student activities	1,177,584	1,177,584	1,121,138	56,446
Community services	54,549	54,549	7,770	46,779
TOTAL OPERATION OF NON-INSTRUCTIONAL SERVICES	1,232,133	1,232,133	1,128,908	103,225
Debt service	15,149,625	15,149,625	15,149,622	3
Budgetary reserve	3,088,188	3,088,188	-	3,088,188
TOTAL EXPENDITURES	149,420,401	149,420,401	158,683,441	(9,263,040)
EXCESS OF REVENUES OVER EXPENDITURES	-	-	769,257	769,257
NET CHANGE IN FUND BALANCE	\$ -	\$ -	769,257	\$ 769,257
FUND BALANCE AT BEGINNING OF YEAR			11,223,004	
FUND BALANCE AT END OF YEAR			\$ 11,992,261	

See accompanying note to the budgetary comparison schedule.

COATESVILLE AREA SCHOOL DISTRICT
NOTE TO THE BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2016

NOTE A - BUDGETARY INFORMATION

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. An annual appropriated budget is adopted for the General Fund. All annual appropriations lapse at fiscal year-end. Project-length financial plans are adopted for the Capital Projects Fund.

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

1. Prior to April 1, the Business Manager submits to the School Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the District offices to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of an ordinance.
4. The Board may, by resolution, transfer unencumbered budgeted amounts between departments within any fund.
5. The operating budget is adopted on a basis prescribed by the Department of Education.

Controls over spending in the Capital Reserve Fund are achieved by the use of internal spending limits. Effective expenditure control is achieved in the Capital Reserve Fund through bond indenture provisions.

All budget amounts presented in the accompanying required supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions to the annual budgets during the year).

COATESVILLE AREA SCHOOL DISTRICT
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
LAST TWO FISCAL YEARS

	<u>2016</u>	<u>2015</u>
SCHOOL DISTRICT'S PROPORTION OF THE NET PENSION LIABILITY (ASSET)	<u>0.3748%</u>	<u>0.3708%</u>
SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)	<u>\$ 162,345,000</u>	<u>\$ 146,766,000</u>
SCHOOL DISTRICT'S COVERED-EMPLOYEE PAYROLL	<u>\$ 48,219,963</u>	<u>\$ 47,312,118</u>
SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) AS A PERCENTAGE OF ITS COVERED-EMPLOYEE PAYROLL	<u>336.68%</u>	<u>310.21%</u>
THE PLAN'S FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>45.64%</u>	<u>57.24%</u>

COATESVILLE AREA SCHOOL DISTRICT
SCHEDULE OF SCHOOL DISTRICT'S CONTRIBUTIONS
LAST TWO FISCAL YEARS

	<u>2016</u>	<u>2015</u>
CONTRACTUALLY REQUIRED CONTRIBUTION	\$ 11,959,000	\$ 9,887,000
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	<u>11,959,000</u>	<u>9,887,000</u>
CONTRIBUTION (EXCESS) DEFICIENCY	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>
SCHOOL DISTRICT'S COVERED-EMPLOYEE PAYROLL	\$ <u><u>47,836,000</u></u>	\$ <u><u>48,229,268</u></u>
CONTRIBUTIONS AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u><u>25.00%</u></u>	<u><u>20.50%</u></u>

COATESVILLE AREA SCHOOL DISTRICT
POSTEMPLOYMENT BENEFITS OTHER THAN
PENSION FUNDING PROGRESS
YEAR ENDED JUNE 30, 2016

SCHEDULE OF FUNDING PROGRESS

Valuation Date June 30,	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability (AAL)	(c) Unfunded AAL (UAAL) (b)-(a)	(d) Funded Ratio (a)/(b)	(e) Covered Payroll	(f) UAAL as a Percentage of Covered Payroll (c)/(e)
2011	\$ -	\$ 18,357,465	\$ 18,357,465	0%	\$ 44,917,748	40.87%
2013	-	17,562,004	17,562,004	0%	41,911,328	41.90%
2015	-	11,434,229	11,434,229	0%	40,540,784	28.20%

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

To the Board of School Directors
Coatesville Area School District
Coatesville, Pennsylvania

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Coatesville Area School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Coatesville Area School District's basic financial statements, and have issued our report thereon dated January 16, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of School Directors
Coatesville Area School District
Coatesville, Pennsylvania

Compliance and Other Matters

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

Purpose of this Report

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

Maillie LLP

Oaks, Pennsylvania
January 16, 2017

Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards in Accordance With the Uniform Guidance

To the Board of School Directors
Coatesville Area School District
Coatesville, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited the Coatesville Area School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Coatesville Area School District's major federal programs for the year ended June 30, 2016. The Coatesville Area School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Coatesville Area School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200. Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Coatesville Area School District's compliance.

To the Board of School Directors
Coatesville Area School District
Coatesville, Pennsylvania

Basis for Qualified Opinion on the Title I Grants to Local Educational Agencies Program

As described in the accompanying schedule of findings and questioned costs, the Coatesville Area School District did not comply with requirements regarding CFDA 84.010 Title I Grants to Local Educational Agencies as described in finding 2016-001 for Reporting. Compliance with such requirements is necessary, in our opinion, for the Coatesville Area School District to comply with the requirements applicable to that program.

Qualified Opinion on the Title I Grants to Local Educational Agencies Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Coatesville Area School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Title I Grants to Educational Agencies program for the year ended June 30, 2016.

Basis for Qualified Opinion on the Title II Improving Teacher Quality State Grants

As described in the accompanying schedule of findings and questioned costs, the Coatesville Area School District did not comply with requirements regarding CFDA 84.367 Title II Improving Teacher Quality State Grants as described in finding 2016-002 for Reporting. Compliance with such requirements is necessary, in our opinion, for the Coatesville Area School District to comply with the requirements applicable to that program.

Qualified Opinion on the Title II Improving Teacher Quality State Grants

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Coatesville Area School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Title II Improving Teacher Quality State Grants program for the year ended June 30, 2016.

Unmodified Opinion on the Other Major Federal Programs

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

Report on Internal Control Over Compliance

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

To the Board of School Directors
Coatesville Area School District
Coatesville, Pennsylvania

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2016-001 and 2016-002 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Purpose of this Report

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

Maillie LLP

Oaks, Pennsylvania
January 16, 2017

**SUPPLEMENTARY INFORMATION - MAJOR FEDERAL
AWARD PROGRAMS AUDIT**

COATESVILLE AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass-Through Grantor/Program Title	Source Code	Federal CFDA Number	Federal Pass-Through Grantor's Number	Grant Period Beginning/ Ending Dates
U.S. DEPARTMENT OF EDUCATION				
Passed through the Pennsylvania Department of Education				
Title I Improving Basic Programs	I	84.010	013-15-0089	July 1, 2014 to September 30, 2016
Title I Improving Basic Programs	I	84.010	013-16-0089	July 1, 2015 to September 30, 2016
Title I Improving Basic Programs - Delinquent	I	84.010	107-14-0089	July 1, 2013 to September 30, 2015
Title I Improving Basic Programs - Delinquent	I	84.010	107-15-0089	July 1, 2014 to September 30, 2015
Title I Improving Basic Programs - Delinquent	I	84.010	107-16-0089	July 1, 2015 to September 30, 2016
Title I Improving Basic Programs - Program Improvement	I	84.010	042-13-0089	April 10, 2013 to September 30, 2014
TOTAL TITLE I				
Title II Improving Teacher Quality	I	84.367	020-15-0089	July 1, 2014 to September 30, 2015
Title II Improving Teacher Quality	I	84.367	020-16-0089	July 1, 2015 to September 30, 2016
TOTAL TITLE II				
Title III Language Instruction	I	84.365	010-15-0089	July 1, 2014 to September 30, 2015
Title III Language Instruction	I	84.365	010-16-0089	July 1, 2015 to September 30, 2016
TOTAL TITLE III				
21st Century Community Learning Centers	I	84.287	410-005-2385	July 1, 2014 to June 30, 2015
21st Century Community Learning Centers	I	84.287	410-006-2385	July 1, 2012 to September 30, 2013
21st Century Community Learning Centers	I	84.287	410-006-2385	July 1, 2013 to September 30, 2014
TOTAL 21st CENTURY COMMUNITY LEARNING CENTERS				
Striving Readers Comprehensive Literacy Grant	I	84.010	143-120-089	July 1, 2013 to September 30, 2014
SUBTOTAL FORWARD				

See notes to the schedule of expenditures of federal awards.

<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2015</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2016</u>	<u>Passed Through to Sub-Recipients</u>
\$ 1,630,727	\$ 511,599	\$ 483,421	\$ 28,178	\$ 28,178	\$ -	\$ -
1,752,913	1,195,386	-	1,413,669	1,413,669	218,283	-
45,382	(42,336)	(42,336)	-	-	-	-
42,691	8,538	(7,441)	24,517	24,517	8,538	-
42,268	28,179	-	42,268	42,268	14,089	-
161,209	-	(10,098)	-	-	(10,098)	-
	<u>1,701,366</u>	<u>423,546</u>	<u>1,508,632</u>	<u>1,508,632</u>	<u>230,812</u>	<u>-</u>
455,199	91,000	117,302	216,366	216,366	242,668	-
454,793	<u>303,990</u>	<u>-</u>	<u>449,964</u>	<u>449,964</u>	<u>145,974</u>	<u>-</u>
	<u>394,990</u>	<u>117,302</u>	<u>666,330</u>	<u>666,330</u>	<u>388,642</u>	<u>-</u>
83,262	27,754	555	25,094	25,094	(2,105)	-
84,474	<u>56,108</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(56,108)</u>	<u>-</u>
	<u>83,862</u>	<u>555</u>	<u>25,094</u>	<u>25,094</u>	<u>(58,213)</u>	<u>-</u>
252,793	-	151,694	-	-	151,694	-
252,793	-	63,198	-	-	63,198	-
252,793	<u>167,319</u>	<u>143,311</u>	<u>-</u>	<u>-</u>	<u>(24,008)</u>	<u>-</u>
	<u>167,319</u>	<u>358,203</u>	<u>-</u>	<u>-</u>	<u>190,884</u>	<u>-</u>
861,400	<u>-</u>	<u>(20,387)</u>	<u>-</u>	<u>-</u>	<u>(20,387)</u>	<u>-</u>
	<u>\$ 2,347,537</u>	<u>\$ 879,219</u>	<u>\$ 2,200,056</u>	<u>\$ 2,200,056</u>	<u>\$ 731,738</u>	<u>\$ -</u>

COATESVILLE AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass-Through Grantor/Program Title	Source Code	Federal CFDA Number	Federal Pass-Through Grantor's Number	Grant Period Beginning/ Ending Dates
U.S. DEPARTMENT OF EDUCATION				
SUBTOTAL FORWARDED				
Passed through Chester County Intermediate Unit				
IDEA	I	84.027	062-14-0024	July 1, 2014 to September 30, 2015
IDEA	I	84.027	062-15-0024	July 1, 2015 to September 30, 2016
IDEA 619	I	84.027	131-150024B	July 1, 2015 to September 30, 2016
TOTAL SPECIAL EDUCATION CLUSTER				
TOTAL U.S. DEPARTMENT OF EDUCATION				
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through the Substance Abuse and Mental Health Services Administration				
Substance Abuse and Mental Health Services	I	93.243	N/A	September 30, 2014 to September 29, 2016
Passed through Leader Services				
Medical Assistance	I	93.778	N/A	July 1, 2014 to June 30, 2015
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
U.S. DEPARTMENT OF AGRICULTURE				
Passed through the Pennsylvania Department of Education				
National School Lunch Program	I	10.555	N/A	July 1, 2015 to June 30, 2016
National School Breakfast Program	I	10.553	N/A	July 1, 2015 to June 30, 2016
Passed through the Pennsylvania Department of Agriculture				
Value of U.S.D.A. Donated Commodities	I	10.555	N/A	July 1, 2015 to June 30, 2016
TOTAL CHILD NUTRITION CLUSTER				
Passed through the Pennsylvania Department of Education				
Fresh Fruit and Vegetable Program	I	10.582	N/A	July 1, 2015 to June 30, 2016
TOTAL U.S. DEPARTMENT OF AGRICULTURE				
TOTAL FEDERAL AWARDS				

Footnotes:

- (A) Total amount of commodities received from Department of Agriculture.
- (B) Beginning inventory at July 1, 2015.
- (C) Total amount of commodities used.
- (D) Ending inventory at June 30, 2016.

Source Codes:

I = Indirect funding

<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2014</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2015</u>	<u>Passed Through to Sub-Recipients</u>
	\$ 2,347,537	\$ 879,219	\$ 2,200,056	\$ 2,200,056	\$ 731,738	\$ -
\$ 1,085,455	217,091	217,091	-	-	-	-
1,078,388	790,818	-	1,078,388	1,078,388	287,570	-
3,874	-	-	3,874	3,874	3,874	-
	<u>1,007,909</u>	<u>217,091</u>	<u>1,082,262</u>	<u>1,082,262</u>	<u>291,444</u>	<u>-</u>
	<u>3,355,446</u>	<u>1,096,310</u>	<u>3,282,318</u>	<u>3,282,318</u>	<u>1,023,182</u>	<u>-</u>
99,756	-	-	24,076	24,076	24,076	-
58,665	-	35,627	-	-	35,627	-
	<u>-</u>	<u>35,627</u>	<u>24,076</u>	<u>24,076</u>	<u>59,703</u>	<u>-</u>
N/A	1,576,256	112,243	1,511,403	1,511,403	47,390	-
N/A	486,286	(15,539)	517,328	517,328	15,503	-
N/A	<u>193,370 (A)</u>	<u>(30,733) (B)</u>	<u>205,730</u>	<u>205,730 (C)</u>	<u>(18,373) (D)</u>	<u>-</u>
	<u>2,255,912</u>	<u>65,971</u>	<u>2,234,461</u>	<u>2,234,461</u>	<u>44,520</u>	<u>-</u>
N/A	<u>70,588</u>	<u>(21,511)</u>	<u>95,610</u>	<u>95,610</u>	<u>3,511</u>	<u>-</u>
	<u>2,326,500</u>	<u>44,460</u>	<u>2,330,071</u>	<u>2,330,071</u>	<u>48,031</u>	<u>-</u>
	<u>\$ 5,681,946</u>	<u>\$ 1,176,397</u>	<u>\$ 5,636,465</u>	<u>\$ 5,636,465</u>	<u>\$ 1,130,916</u>	<u>\$ -</u>

COATESVILLE AREA SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

NOTE A - SCOPE OF THIS SCHEDULE

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

NOTE B - BASIS OF ACCOUNTING

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

NOTE C - NONMONETARY FEDERAL AWARDS - DONATED 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 under CFDA #10.555 Value of U.S.D.A. Donated Commodities represent surplus food consumed by the District during the 2016 fiscal year.

NOTE D - INDIRECT COST RATES

The School District has not elected to use the 10% de minimis indirect cost rate as allowed in the Uniform Guidance, Section 414.

COATESVILLE AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of the Coatesville Area School District.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the Coatesville Area School District were disclosed during the audit.
4. Two control deficiencies that are considered to be material weaknesses relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards in Accordance With the Uniform Guidance.
5. The auditors' report on compliance for the major award programs for the Coatesville Area School District expresses a qualified opinion relating to the compliance with allowable costs requirements for the Title I and Title II programs.
6. There are audit findings that are required to be reported in accordance with Section 516(a) of the Uniform Guidance.
7. The programs tested as major programs include:

Program	CFDA
Title I	84.010
Title II	84.367
Child Nutrition Cluster	
National School Breakfast Program	10.553
National School Lunch Program	10.555

8. The threshold used for distinguishing Types A and B programs was \$750,000.
9. Coatesville Area School District was determined not to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None.

COATESVILLE AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

2016-001 - Title I Grants to Local Educational Agencies: Reporting

Federal Grantor: U.S. Department of Education
Federal CFDA #84.010
Pass-Through Grantor: Pennsylvania Department of Education

Condition: The District did not properly report its expenditures.

Criteria: The District should report the actual expenditures incurred for a reporting period.

Effect: The District is not filing reports of its expenditures timely based on requirements of the grant agreement.

Cause: The District does not have appropriate procedures in place to ensure the expenditures are reported accurately and timely, as required by the grant agreement.

Recommendation: We recommend the District should improve its controls over the completion of reports. We suggest the District create a policy to maintain separate records for each program, in which specific expenditures are recorded in a timely manner to the separate records. These separate records can then be used to accurately complete the required reports and file the reports on a timely basis, as required by the grant agreement.

Management Response: This district concurs with this finding. Due to staff changes and employee training, reports were not filed timely. The district has implemented new procedures to correct the deficiencies.

2016-002 - Title II Improving Teacher Quality State Grants: Reporting

Federal Grantor: U.S. Department of Education
Federal CFDA #84.367
Pass-Through Grantor: Pennsylvania Department of Education

Condition: The District did not properly report its expenditures.

Criteria: The District should report the actual expenditures incurred for a reporting period.

Effect: The District is not filing reports of its expenditures timely based on requirements of the grant agreement.

Cause: The District does not have appropriate procedures in place to ensure the expenditures are reported accurately and timely, as required by the grant agreement.

COATESVILLE AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

Recommendation: We recommend the District should improve its controls over the completion of reports. We suggest the District create a policy to maintain separate records for each program, in which specific expenditures are recorded in a timely manner to the separate records. These separate records can then be used to accurately complete the required reports and file the reports on a timely basis, as required by the grant agreement.

Management's Response: This district concurs with this finding. Due to staff changes and employee training, reports were not filed timely. The district has implemented new procedures to correct the deficiencies.

COATESVILLE AREA SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2016

2015-01 - Capital Asset Procedures

Description of Finding: The District capital asset records are maintained by a third party appraiser that tracks the assets based on valuation techniques not actual historical costs paid by the District.

Current Status: This finding is no longer applicable. The district has implemented procedures to track capital assets records internally, with the assets recorded at historical costs.

2015-02 - Sick Bank

Description of Finding: The District allows employees to contribute and draw from a sick bank, however, no recording of the sick bank pool is performed. There is no liability balance recorded, resulting in overstatement of payroll expenses.

Current Status: This finding is no longer applicable. The District has developed financial procedures to measure and record the value of the sick bank and the contributions/utilization of the resources accumulated.

2015-03 - Accounts Payable Cutoff

Description of Finding: The District does not record open invoices for goods received or services performed prior to the year-end date as payables in the proper period.

Current Status: This finding is no longer applicable. The District has implemented policies and procedures requiring a cutoff test to be performed at the end of the accounting period.

2015-04 - Title I Grants to Local Educational Agencies: Reporting

Federal Grantor: U.S. Department of Education
Federal CFDA #84.010
Pass-Through Grantor: Pennsylvania Department of Education

Description of Finding: The District did not properly report its expenditures.

Current Status: This finding is still applicable. See the Schedule of Findings and Questioned Costs Item 2016-001.

2015-05 - Title II Improving Teacher Quality State Grants: Reporting

Federal Grantor: U.S. Department of Education
Federal CFDA #84.367
Pass-Through Grantor: Pennsylvania Department of Education

Description of Finding: The District did not properly report its expenditures.

Current Status: This finding is still applicable. See the Schedule of Findings and Questioned Costs Item 2016-002.



COATESVILLE AREA SCHOOL DISTRICT
3030 C G ZINN ROAD
THORNDALE, PENNSYLVANIA 19372

AUDIT CORRECTIVE ACTION PLAN

FISCAL YEAR ENDED JUNE 30, 2016

Finding 2016-001; Title I Grants to Local Educational Agencies: Reporting

Description of Finding:

The District did not properly report its expenditures. The District should report the actual expenditures incurred for a reporting period. The District is not filing reports of its expenditures timely based on requirements of the grant agreement. The District does not have appropriate procedures in place to ensure the expenditures are reported accurately and timely, as required by the grant agreement.

District Position:

The District concurs with the finding.

Corrective Action to be taken:

Due to a staff changes and employee training reports were not filed timely. The district has implemented new procedures to correct the deficiencies.

Timetable for implementation:

Immediately

Responsible Person with Scope of Authority:

Business Administrator

Finding 2016-002; Title II Improving Teacher Quality State Grants: Reporting

Description of Finding:

The District did not properly report its expenditures. The District should report the actual expenditures incurred for a reporting period. The District is not filing reports of its expenditures timely based on requirements of the grant agreement. The District does not have appropriate procedures in place to ensure the expenditures are reported accurately and timely, as required by the grant agreement.

District Position:

The District concurs with the finding.

Corrective Action to be taken:

Due to a staff changes and employee training reports were not filed timely. The district has implemented new procedures to correct the deficiencies.

Timetable for implementation:

Immediately

Responsible Person with Scope of Authority:

Business Administrator

