

**COATESVILLE AREA SCHOOL DISTRICT**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

*Year Ended June 30, 2020*

## **INTRODUCTORY SECTION**

# COATESVILLE AREA SCHOOL DISTRICT

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YEAR ENDED JUNE 30, 2020

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## **FINANCIAL SECTION**

## ***Independent Auditors' Report***

To the Board of School Directors  
Coatesville Area School District  
Thorndale, 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, 2020, 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  
Thorndale, 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, 2020, 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***

As discussed in Note Q, the spread of the COVID-19 coronavirus is affecting the United States and global economies and may have an impact on Coatesville Area School District's operational and financial performance. At this point, Coatesville Area School District cannot reasonably estimate the impact on its operations or financial results. 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 18, budgetary comparison information on pages 65 and 66, schedule of the school district's proportionate share of the PSERS net pension liability on page 67, schedule of the school district's PSERS pension contributions on page 68, schedule of the school district's proportionate share of the PSERS net other postemployment benefit plan liability on page 69, schedule of the school district's PSERS other postemployment benefit plan contributions on page 70 and schedule of changes in the total other postemployment benefit plan liability and related ratios on page 71 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  
Coatesville Area School District  
Thorndale, 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 December 1, 2020, 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.



Limerick, Pennsylvania  
December 1, 2020



**COATESVILLE AREA SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2020

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Management's Discussion and Analysis ("MD&A") for the Coatesville Area School District's ("the District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2020. The intent of the MD&A is to look at financial performance as a whole. Readers should review the basic financial statements and corresponding notes to the financial statements to enhance their understanding of the District's financial performance.

The MD&A is an element of the reporting model adopted by the Governmental Accounting Standards Board ("GASB") in their Statement No. 34, "Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments." Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

**SCHOOL DISTRICT**

The District is a public school district in Chester County, Pennsylvania organized under the Public School Code of Pennsylvania. The District provides educational programs from kindergarten through twelfth grade to students who are residents of the District and to non-residents on a tuition basis.

**MISSION STATEMENT**

The Mission of the Coatesville Area School District, rich in diversity and committed to excellence, is to create innovative educational experiences which are funded by the taxpayers, supported by the community, delivered by dedicated teachers and administrators, to ensure all students will become responsible, contributing global citizens.

**FINANCIAL HIGHLIGHTS**

Overall, the District ended the 2019-2020 fiscal year with a \$7,979,977 decrease in overall net position. The District's net deficit totaled \$177,084,791 on June 30, 2020. The Net Change in the Fund Balance for all Governmental Funds decreased by \$8,679,015 to \$1,421,244.

The General Fund reported a negative total fund balance on June 30, 2020 of (\$1,485,361), which represents a decrease of \$6,269,910 from the previous year. The decrease is the result of the District budgeting to use fund balance to cover increasing charter school tuition and rising special education costs that outpace the District's increases in revenues. The 2020-2021 budget approved in June 2020 represented a balanced budget due to the District implemented several expense reduction efforts including but not limited to furloughing of staff to close the gap between budgeted revenues and expenses.

The District's General Fund balance on June 30, 2020, of (\$1,485,361) did not meet the guidelines of Board Policy 620 – Fund Balance, which states the unassigned portion of the fund balance is not to be less than 5% of the General Fund budgeted expenditures nor more than 8% of budgeted expenditures for that fiscal year. If the unassigned portion of the fund balance falls below the threshold of five percent (5%) of budgeted expenditures, the Board will pursue options for increasing revenues and decreasing expenditures, or a combination of both until five percent (5%) is attained. The District is considering multiple options as it begins to develop its 2021-2022 General Fund Budget.

The Capital Reserve Fund reported a positive total fund balance of \$880,871 and the Capital Projects Fund reported a positive total fund balance of \$2,025,734.

**COATESVILLE AREA SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2020

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Total Governmental Funds revenues were \$178,535,036 compared to expenditures of \$217,158,851 and other financing sources in the amount of \$29,944,800. General Fund revenues were \$177,841,555 with other funds having total revenues of \$693,481. General Fund revenues consist of 68.13% local revenue, 29.86% state revenue, and 2.01% federal revenues including grant funds. Other revenue funds consist of the Food Service Fund with revenues of \$2,968,147 and expenditures of \$2,857,068 resulting in an increase in net position of \$111,079.

**FINANCIAL STATEMENTS**

The financial statements consist of three parts: Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information ("RSI"). The basic financial statements include two kinds of statements that present different views of the District.

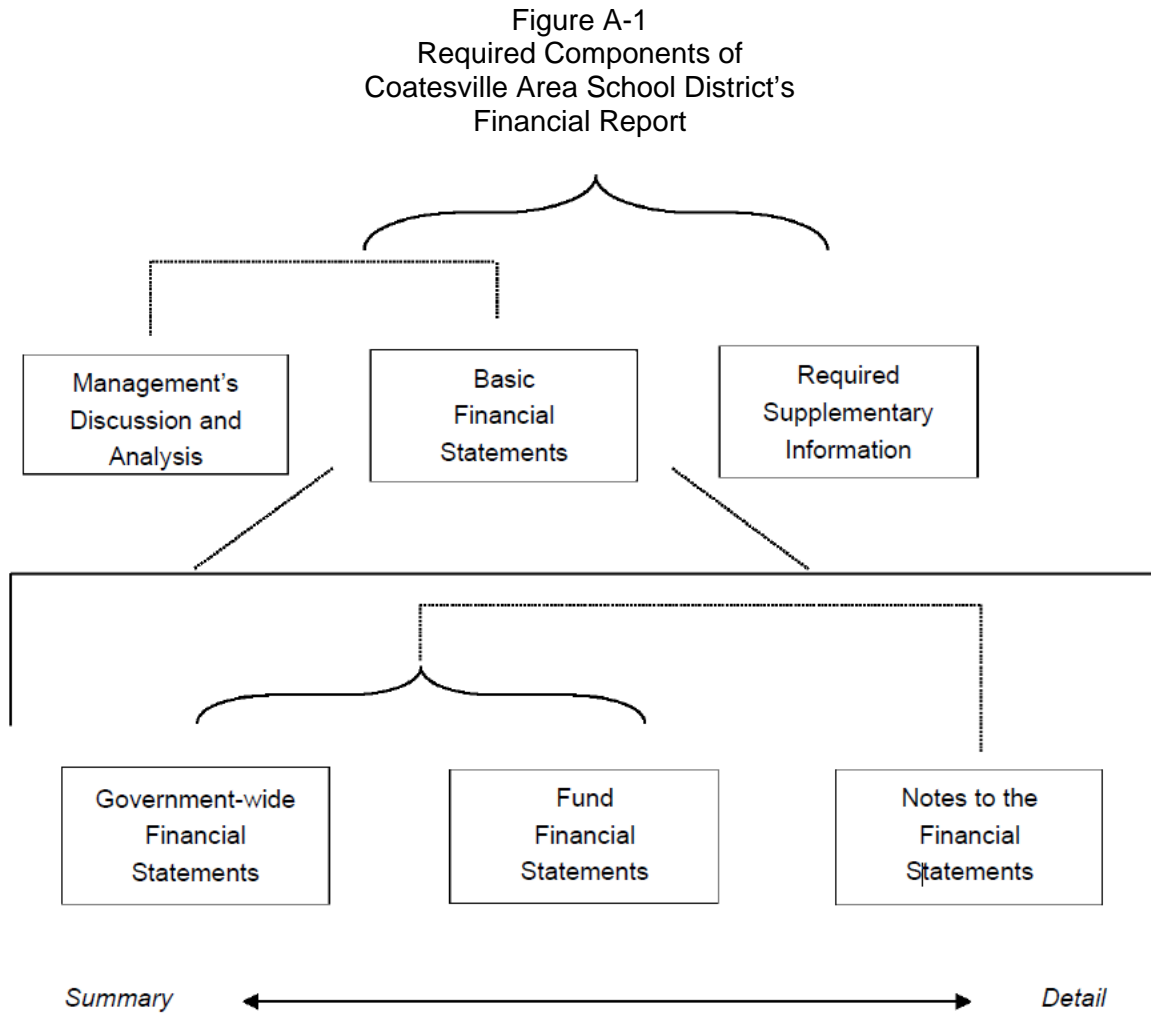
- The first two statements are government-wide financial statements – the Statement of Net Position and the Statement of Activities. These provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District's operations in more detail than the government-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- Proprietary fund statements offer short-term and long-term financial information about the activities that the District operates like a business. For the District, this is the Food Service Fund.
- Fiduciary fund statements provide information about financial relationships where the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and reports the financial statements.

**COATESVILLE AREA SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2020

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Figure A-1 shows how the required parts of the Financial Sections are arranged and relate to one another:



**COATESVILLE AREA SCHOOL DISTRICT**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2020**

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Figure A-2 summarizes the major features of the financial statements, including the portion of the program they cover and the types of information they contain. The remainder of this overview section of management discussion and analysis explains the structure and contents of each of the statements.

Figure A-2  
Major Features of Coatesville Area School District’s  
Government-wide and Fund Financial Statements

	Fund Statements			
	Government-Wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as education, administration, and community services	An activity the District operates similar to private business – Food Service and Internal Service	Instances in which the District is the trustee or agent to someone else’s resources – Student Activities Fund
Required financial statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balance	Statement of Net Position Statement of Revenues, Expenses, and Changes in Net Position Statement of Cash Flows	Statement of Net Position Statement of Changes in Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources measurement focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources measurement focus	Accrual accounting and economic resources measurement focus
Type of asset/deferred outflow of resources/liability/deferred inflow of resources/information	All assets and deferred outflows of resources and liabilities and deferred inflows of resources, both financial and capital, and short-term and long-term	Only assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All assets and deferred outflows of resources and liabilities and deferred inflows of resources, both financial and capital, and short-term and long-term	All assets and deferred outflows of resources and liabilities and deferred inflows of resources, both short-term and long-term
Type of inflow-outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

**COATESVILLE AREA SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2020

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**OVERVIEW OF FINANCIAL STATEMENTS**

**Impact of GASB Statements No. 68, 71 and 75**

During the 2014-2015 year, the District implemented Governmental Accounting Standards Board ("GASB") Statement No. 68, "Accounting and Financial Reporting for Pensions," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to Measurement Date – An Amendment of GASB Statement No. 68." During the 2017-2018 fiscal year, the District implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pension." The purpose of these statements is to improve the transparency, consistency, and comparability of the pension and other postemployment benefit information reported by state and local governments (e.g. school districts).

The adoption of these statements has had, and will continue to have, a profound effect on the financial statements and net position of school districts and governments not only in Pennsylvania, but across the nation. By recognizing the impact of any unfunded liability faced by defined benefit pension and OPEB plans, plan administrators (at the direction of elected officials) and participants will be required to evaluate the cost of providing these benefits as compared to the benefit to be derived through providing for certain retirement benefits to the workforce.

The net pension liability is the difference between the market value of pension fund assets and the actuarial present value of projected benefit payments at the measurement date. Included in the calculation are projected employer and employee contributions as well as the expectation that the assets will grow at the long-term assumed rate of return on plan investments. Similarly, the net OPEB liability is the difference between the market value of OPEB fund assets and the actuarial present value of the projected retiree healthcare benefits as a specified measurement date.

While both the net pension liability and the net OPEB liability are significant to the District's financial statements, they are liabilities the District has limited control over. Over the last ten years, the PSERS employer contribution rate has risen significantly, from 5.64% in 2010-2011 to 34.29% in 2019-2020. These increases are expected to improve the plan's funding level, which will reduce the net pension liability in future years. This rate is anticipated to continue to increase to a level of over 36% in future years. In addition, the benefits paid by the District to eligible retirees for retiree healthcare benefits are governed by the collective bargaining agreements and contract in effect at the time of a given retiree's retirement; until these individuals receive their full benefits and future bargaining agreements and contracts are modified, the District will have very limited control over the value of its net OPEB liability.

**Government-Wide Statements**

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private sector companies. The statements of net position include all of the government's assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenue and expenditures are accounted for in the statement of activities regardless of when cash is received and paid.

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

**COATESVILLE AREA SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2020

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Over time, increases or decreases in the District's net position are an indication of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the District, readers should consider additional factors in conjunction with the information provided by the Commonwealth, increase in the required PSERS contribution rate, and the projected enrollment of students.

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

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

**Fund Financial Statements**

The remaining statements are fund financial statements that focus on individual parts of the District's operations in more detail than the government-wide statements. Some funds are required by state law and by bond requirements.

- **Governmental Funds** – Most of the District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. Governmental funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or few financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.
- **Proprietary Funds** – These funds are used to account for District activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position, or where there is a significant portion of funding through user charges. When the District charges customers for services it provides – whether to outside customers or to other units in the District – the services are generally reported in proprietary funds. The Food Service Fund is the District's proprietary fund and is the same as the business-type activities report in the government-wide statements, but provides more detail and additional information, such as cash flows.
- **Fiduciary Funds** – The District is the trustee, or fiduciary, for the assets that belong to others, such as scholarship funds, agency funds, or student activity funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.
- **Notes to the financial statements** – The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

**COATESVILLE AREA SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2020**

- Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which consists of the budgetary comparison schedule for the General Fund, schedules of the District's proportionate share of the net pension liability and pension plan contributions – PSERS, schedule of changes in OPEB liability single-employer plan, and the schedules of the District's proportionate share of the net OPEB liability and OPEB plan contributions – PSERS.

The following table presents condensed information for the Statement of Net Position of the District at June 30, 2019, and June 30, 2020:

**Table A-1**  
**STATEMENT OF NET POSITION**  
**Fiscal Years Ended June 30, 2020, and June 30, 2019**

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
<b>ASSETS AND DEFERRED OUTFLOWS</b>						
Current and other assets	\$ 30,164,562	\$ 36,332,708	\$ 795,940	\$ 757,759	\$ 30,960,502	\$ 37,090,467
Capital assets	<u>150,958,973</u>	<u>156,810,925</u>	<u>41,196</u>	<u>-</u>	<u>151,000,169</u>	<u>156,810,925</u>
<b>TOTAL ASSETS</b>	<b>181,123,535</b>	<b>193,143,633</b>	<b>837,136</b>	<b>757,759</b>	<b>181,960,671</b>	<b>193,901,392</b>
Deferred outflows of resources	<u>17,018,030</u>	<u>19,982,294</u>	<u>345,490</u>	<u>445,357</u>	<u>17,363,520</u>	<u>20,427,651</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ <u>198,141,565</u></b>	<b>\$ <u>213,125,927</u></b>	<b>\$ <u>1,182,626</u></b>	<b>\$ <u>1,203,116</u></b>	<b>\$ <u>199,324,191</u></b>	<b>\$ <u>214,329,043</u></b>
<b>LIABILITIES</b>						
Current liabilities	\$ 45,202,474	\$ 24,218,775	\$ 70,958	\$ 1,137	\$ 45,273,432	\$ 24,219,912
Long-term liabilities	<u>299,769,005</u>	<u>335,452,305</u>	<u>2,942,331</u>	<u>3,274,448</u>	<u>302,711,336</u>	<u>338,726,753</u>
<b>TOTAL LIABILITIES</b>	<b><u>344,971,479</u></b>	<b><u>359,671,080</u></b>	<b><u>3,013,289</u></b>	<b><u>3,275,585</u></b>	<b><u>347,984,768</u></b>	<b><u>362,946,665</u></b>
Deferred inflows of resources	<u>27,943,487</u>	<u>20,137,192</u>	<u>480,727</u>	<u>350,000</u>	<u>28,424,214</u>	<u>20,487,192</u>
<b>NET POSITION (DEFICIT)</b>						
Net investment in capital assets	(13,559,990)	(10,028,170)	41,196	-	(13,518,794)	(10,028,170)
Restricted	-	5,315,709	-	-	-	5,315,709
Assigned	-	4,482,205	-	-	-	4,482,205
Unrestricted	<u>(161,213,411)</u>	<u>(166,452,089)</u>	<u>(2,352,586)</u>	<u>(2,422,469)</u>	<u>(163,565,997)</u>	<u>(168,874,558)</u>
<b>NET POSITION (DEFICIT)</b>	<b><u>(174,773,401)</u></b>	<b><u>(166,682,345)</u></b>	<b><u>(2,311,390)</u></b>	<b><u>(2,422,469)</u></b>	<b><u>(177,084,791)</u></b>	<b><u>(169,104,814)</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)</b>	<b>\$ <u>198,141,565</u></b>	<b>\$ <u>213,125,927</u></b>	<b>\$ <u>1,182,626</u></b>	<b>\$ <u>1,203,116</u></b>	<b>\$ <u>199,324,191</u></b>	<b>\$ <u>214,329,043</u></b>

The District's net deficit totaled \$177,084,791 on June 30, 2020. This represents a \$7,979,977 decrease in overall net position (deficit) over prior year. The net investment in capital assets is net of accumulated depreciation less any related debt used to acquire those assets that is still outstanding. The unrestricted net position includes the effect of the District's net pension and OPEB liabilities as required by GASB No. 68 and 75, respectively. Of the \$347,984,768 in total liabilities, \$152,817,139 or 43.91%, is related to these net pensions and OPEB liabilities.

**COATESVILLE AREA SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2020**

**Statement of Activities**

The Statement of Activities shows the cost of program services, charges for services, and grants received offsetting those services.

**Table A-2**  
**STATEMENT OF ACTIVITIES**  
**Fiscal Year Ended June 30, 2019 and June 30, 2018**

	June 30, 2020		June 30, 2019	
	Total Services	Net Services	Total Services	Net Services
<b>PROGRAM EXPENSES</b>				
<b>Governmental Activities:</b>				
Instruction	\$ 132,748,918	\$ 116,198,653	\$ 122,991,537	\$ 106,612,748
Instructional student support	7,553,043	6,515,305	7,093,585	6,210,253
Administration	11,313,863	10,391,772	10,841,594	9,902,044
Maintenance	13,076,767	12,481,006	13,921,972	13,251,651
Pupil transportation	11,082,939	3,772,386	11,549,715	4,620,857
Student activities	930,145	657,993	1,137,117	940,311
Community services	10,336	10,132	85,589	82,958
Interest and fiscal charges	7,116,240	6,595,828	6,448,063	5,893,719
<b>Total Governmental Activities</b>	<b>183,832,251</b>	<b>156,623,075</b>	<b>174,069,172</b>	<b>147,514,541</b>
<b>Business-Type Activities:</b>				
Food service	2,857,068	(99,968)	2,815,207	(217,203)
<b>Total Primary Government</b>	<b>\$ 186,689,319</b>	<b>\$ 156,523,107</b>	<b>\$ 176,884,379</b>	<b>\$ 147,297,338</b>

**Table A-3**  
**CHANGES IN NET POSITION**  
**For the Years Ended June 30, 2020 and June 30, 2019**

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2018	2019
<b>REVENUES</b>						
Program services						
Charges for services	\$ 469,660	\$ 382,763	\$ 98,847	\$ 477,472	\$ 568,507	\$ 860,235
Operating grants and contributions	26,739,516	26,171,868	2,858,189	2,554,938	29,597,705	28,726,806
General revenues						
Property taxes	106,616,041	104,707,310	-	-	106,616,041	104,707,310
Other taxes	8,861,558	8,748,802	-	-	8,861,558	8,748,802
Grants, subsidies and contributions not restricted	31,632,286	31,506,278	-	-	31,632,286	31,506,278
Investment earnings	819,186	1,117,236	11,111	12,083	830,297	1,129,319
Other revenues	602,948	345,677	-	-	602,948	345,677
<b>TOTAL REVENUES</b>	<b>175,741,195</b>	<b>172,979,934</b>	<b>2,968,147</b>	<b>3,044,493</b>	<b>178,709,342</b>	<b>176,024,427</b>
<b>EXPENSES</b>						
Instruction	132,748,918	122,991,537	-	-	132,748,918	122,991,537
Instructional student support	7,553,043	7,093,585	-	-	7,553,043	7,093,585
Administrative and financial support	11,313,863	10,841,594	-	-	11,313,863	10,841,594
Operation and maintenance of plant services	13,076,767	13,921,972	-	-	13,076,767	13,921,972
Pupil transportation	11,082,939	11,549,715	-	-	11,082,939	11,549,715
Student activities	930,145	1,137,117	-	-	930,145	1,137,117
Community service	10,336	85,589	-	-	10,336	85,589
Interest on long-term debt	7,116,240	6,448,063	-	-	7,116,240	6,448,063
Food services	-	-	2,857,068	2,815,207	2,857,068	2,815,207
<b>TOTAL EXPENSES</b>	<b>183,832,251</b>	<b>174,069,172</b>	<b>2,857,068</b>	<b>2,815,207</b>	<b>186,689,319</b>	<b>176,884,379</b>
<b>CHANGE IN NET POSITION</b>	<b>\$ (8,091,056)</b>	<b>\$ (1,089,238)</b>	<b>\$ 111,079</b>	<b>\$ 229,286</b>	<b>\$ (7,979,977)</b>	<b>\$ (859,952)</b>



**COATESVILLE AREA SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2020**

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**Fund Balances**

At June 30, 2020, the District's governmental funds reported a combined fund balance of \$1,421,244 which is a decrease of \$8,679,015 from June 30, 2019.

**Table A-4**  
**GOVERNMENTAL FUND BALANCE**  
**For the Years Ended June 30, 2020 and June 30, 2019**

	June 30, 2020	June 30, 2019	Change
General Fund	\$ (1,485,361)	\$ 4,784,549	\$ (6,269,910)
Capital Reserve Fund	880,871	887,242	(6,371)
Capital Projects Fund	2,025,734	4,428,468	(2,402,734)
<b>TOTAL</b>	<b>\$ 1,421,244</b>	<b>\$ 10,100,259</b>	<b>\$ (8,679,015)</b>

**REVENUES**

General Fund revenues and other financing sources for 2019-2020, which totaled \$178,800,355 increased \$6,549,682 or 3.80% over prior year revenues.

Revenues from local sources primarily include real estate taxes levied by the District as well as earned income taxes and made up 67.65% of revenues for the District in fiscal year 2019-2020. The real estate tax millage rate for 2019-2020 was 38.2018, a 3.9% increase from the 2018-2019 rate of 36.7537. State subsidies account for 29.81% of revenues and Federal revenues account for 2.01%. Revenue amounts for the 2019-2020 and the 2018-2019 fiscal years are shown below:

**Table A-5**  
**GENERAL FUND REVENUE**  
**Fiscal Years 2019-2020 and 2018-2019**

	2019-2020		2018-2019		Increase (Decrease)	
	Revenue	% of Total	Revenue	% of Total	Revenue	% of Inc (Dec)
Local sources	\$ 120,951,147	67.65%	\$ 116,138,509	67.42%	\$ 4,812,638	4.14%
State sources	53,304,909	29.81%	52,811,372	30.66%	493,537	0.93%
Federal sources	3,585,499	2.01%	3,300,792	1.92%	284,707	8.63%
Other financing sources	958,800	0.54%	-	0.00%	958,800	100.00%
<b>TOTAL REVENUES</b>	<b>\$ 178,800,355</b>	<b>100.00%</b>	<b>\$ 172,250,673</b>	<b>100.00%</b>	<b>\$ 6,549,682</b>	<b>3.80%</b>

**COATESVILLE AREA SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2020**

**EXPENDITURES**

General Fund expenditures and net other financing uses for 2019-2020, which total \$185,070,265, increased \$6,350,052 over 2018-2019 expenditures. The most significant increases from prior year were in purchased services due to an increase in the number of students in charter schools and an increase in charter tuition rates, coupled with an increase in special education placements.

Expenditures consisted of the following:

**Table A-6**  
**GENERAL FUND EXPENDITURES**  
**Fiscal Years 2019-2020 and 2018-2019**  
**Expenditures by Function**

	2019-2020		2018-2019		Increase (Decrease)	
	Expenditures	% of Total	Expenditures	% of Total	Expenditures	% of Inc (Dec)
Instruction	\$ 135,854,637	73.41%	\$ 122,474,440	68.53%	\$ 13,380,197	10.92%
Supporting services	38,365,651	20.73%	38,923,190	21.78%	(557,539)	(1.43)%
Non-instructional services	1,010,761	0.55%	1,256,721	0.70%	(245,960)	(19.57)%
Other financing sources	9,839,216	5.32%	16,065,862	8.99%	(6,226,646)	100.00%
<b>TOTAL EXPENDITURES</b>	<b>\$ 185,070,265</b>	<b>100.00%</b>	<b>\$ 178,720,213</b>	<b>100.00%</b>	<b>\$ 6,350,052</b>	<b>3.55%</b>

**Expenditures by Object**

	2019-2020		2018-2019		Increase (Decrease)	
	Expenditures	% of Total	Expenditures	% of Total	Expenditures	% of Inc (Dec)
Salaries	\$ 41,478,123	22.41%	\$ 40,913,846	22.89%	\$ 564,277	1.38%
Fringe benefits	26,377,983	14.25%	26,434,626	14.79%	(56,643)	(0.21)%
Purchased and technical services	21,790,419	11.77%	21,723,222	12.15%	67,197	0.31%
Purchase property services	3,653,771	1.97%	4,069,057	2.28%	(415,286)	(10.21)%
Other purchased services	77,005,793	41.61%	64,895,040	36.31%	12,110,753	18.66%
Supplies	3,164,966	1.71%	3,659,314	2.05%	(494,348)	(13.51)%
Property	32,836	0.02%	173,659	0.10%	(140,823)	(81.09)%
Other objects	11,566,374	6.25%	16,851,449	9.43%	(5,285,075)	(31.36)%
<b>TOTAL EXPENDITURES</b>	<b>\$ 185,070,265</b>	<b>100.00%</b>	<b>\$ 178,720,213</b>	<b>100.00%</b>	<b>\$ 6,350,052</b>	<b>3.55%</b>

**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.

**COATESVILLE AREA SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2020**

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**CAPITAL ASSETS AND DEBT ADMINISTRATION**

***Capital Assets***

At the end of fiscal 2019-2020, the School District has \$151,000,169 invested in land, buildings, and equipment, net of accumulated depreciation. Below is a summary of the capital assets.

	<u>2020</u>	<u>2019</u>
Land	\$ 2,812,500	\$ 2,812,500
Land improvements	7,425,060	7,425,060
Buildings and building improvements	235,091,594	234,030,578
Furniture and equipment	<u>17,176,047</u>	<u>16,213,464</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED	259,692,701	257,669,102
Accumulated depreciation	<u>(111,505,032)</u>	<u>(103,670,677)</u>
TOTAL CAPITAL ASSETS, net	<u>\$ 151,000,169</u>	<u>\$ 156,810,925</u>

***Debt***

As of June 30, 2020, the School District had a total debt of \$156,839,115 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>
2010	08/15/31	\$ 53,365,000
2013	08/15/20	4,348,115
2017A	08/01/25	57,745,000
2018	06/15/28	12,395,000
2019	10/01/27	23,055,000
2019A	10/01/20	<u>5,931,000</u>
		<u>\$ 156,839,115</u>

**COATESVILLE AREA SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2020

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**FOR THE FUTURE**

Despite the increase in the 2019-2020 millage rate of 3.9% the Coatesville Area School District continues to face financial challenges. Increases in both charter school enrollment and charter school tuition rates have put a severe financial strain on the District. In 2018-2019, charter school enrollments were 2,775 students. In 2019-2020, charter school enrollments were 3,036 students. For 2020-2021, charter school enrollments are projected to be 3,124. The District spent more than \$54 million in 2019-2020 on charter school costs, and that number is expected to be more than \$58 million in 2020-2021. The District also continues to experience increases in special education costs and increased costs for pensions. These challenges will continue into the 2020-2021 fiscal year.

The employer contribution MD&A pension rate, which was a major driver of costs for all school districts, has begun to slow its rate of increase. The rate soared since 2010-11 from 5.64% of payroll to 34.29% of payroll in 2019-2020. The rate will again increase in 2020-2021 to 34.51% of payroll. The District's share of pension costs will rise by approximately \$200,000 in 2020-2021. Most employees have been moved to a high deductible health plan to help decrease the costs related to health insurance.

The District did not increase taxes for the 2020-2021 fiscal year. Due to the financial challenges the District is continuing to face, staffing was reduced across the District by 40 positions for the 2020-2021 budget including teaching, support, and administrative positions. The estimated savings to the District for these reductions is \$8.5 million. The District also reduced costs in other areas totaling approx. \$1 million. As a result of these cost-cutting measures, the District was able develop a balance budget without the need to increase the real estate tax millage rate for 2020-2021. The District will continue to consider additional cost savings ideas as it develops its 2021-2022 budget.

ACT 1 of 2006 provides for the District to limit budget increase to an established index that changes from year to year. The budget process is limited unless budget exceptions are approved by the Pennsylvania Department of Education. The index provided by the Pennsylvania Department of Education for the 2021-2022 fiscal year has been established at 3.9%. This low index can make it difficult to balance the 2021-2022 budget if charter school costs continue to rise. The District is anticipating ending the 2020-2021 fiscal year with a negative fund balance of \$1,485,361.

On January 30, 2020, The World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID -19 outbreak as a pandemic, based on the rapid increase in exposure globally.

On March 13, 2020 Pennsylvania Governor Tom Wolf announced all public schools in Pennsylvania would be closed for a two-week period with essential school personnel allowed to continue to work and further extended the closure for an additional two-week period. On March 23, 2020 Governor Wolf announced that all schools in the commonwealth were to remain closed until at least April 6, 2020. On April 9, 2020 Governor Wolf extended the school closure through the end of the 2019-2020 school year.

On Tuesday April 14, the District launched virtual instruction to students throughout the District to complete the 2019-2020 school year. 5,640 Chromebooks and Hot Spots were available to students to use for distance learning activities. The District began the 2020-2021 school year continuing with virtual instruction. The District is working to develop a plan to return students to in-person learning, which may include a hybrid of in-person instruction and virtual instruction for a portion of the 2020-2021 school year. That plan has not yet been completed or implemented.

**COATESVILLE AREA SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2020

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**CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances. If you have questions about this report or wish to request additional financial information, please contact the Business Office, Coatesville Area School District, 3030 C. G. Zinn Road, Thorndale, PA 19372.

# COATESVILLE AREA SCHOOL DISTRICT

## STATEMENT OF NET POSITION

JUNE 30, 2020

	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Cash and cash equivalents	\$ 16,200,716	\$ 767,150	\$ 16,967,866
Pledged taxes receivable	7,447,271	-	7,447,271
Internal balances	15,229	(15,229)	-
Due from other governments	6,028,934	-	6,028,934
Other receivables	118,412	12,495	130,907
Inventories	-	31,524	31,524
Other assets	354,000	-	354,000
Capital assets			
Land	2,812,500	-	2,812,500
Land improvements	7,425,060	-	7,425,060
Buildings and building improvements	235,091,594	-	235,091,594
Furniture and equipment	17,130,274	1,600,815	18,731,089
Accumulated depreciation	(111,500,455)	(1,559,619)	(113,060,074)
<b>TOTAL ASSETS</b>	<b>181,123,535</b>	<b>837,136</b>	<b>181,960,671</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources, pension activity	15,924,000	310,000	16,234,000
Deferred outflows of resources, OPEB activity	1,094,030	35,490	1,129,520
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>17,018,030</b>	<b>345,490</b>	<b>17,363,520</b>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	11,919,765	45,803	11,965,568
Accrued salaries and benefits	9,361,087	25,155	9,386,242
Accrued interest	3,219,431	-	3,219,431
Unearned revenues	4,747,391	-	4,747,391
Long-term liabilities			
Portion due or payable within one year			
Bonds payable, net	15,630,829	-	15,630,829
Leases	176,452	-	176,452
Compensated absences	147,519	-	147,519
Portion due or payable after one year			
Bonds payable, net	147,922,287	-	147,922,287
Leases	574,643	-	574,643
Net pension liability	137,756,000	2,685,000	140,441,000
Net OPEB liability	12,188,407	187,732	12,376,139
Compensated absences	1,327,668	69,599	1,397,267
<b>TOTAL LIABILITIES</b>	<b>344,971,479</b>	<b>3,013,289</b>	<b>347,984,768</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred amounts on refunding	214,752	-	214,752
Deferred inflows of resources, pension activity	23,396,000	456,000	23,852,000
Deferred inflows of resources, OPEB activity	4,332,735	24,727	4,357,462
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>27,943,487</b>	<b>480,727</b>	<b>28,424,214</b>
<b>NET POSITION</b>			
Net investment in capital assets	(13,559,990)	41,196	(13,518,794)
Unrestricted	(161,213,411)	(2,352,586)	(163,565,997)
<b>TOTAL NET POSITION</b>	<b>\$ (174,773,401)</b>	<b>\$ (2,311,390)</b>	<b>\$ (177,084,791)</b>

See accompanying notes to the basic financial statements.

# COATESVILLE AREA SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>GOVERNMENTAL ACTIVITIES</b>				
Instruction	\$ 132,748,918	\$ 290,751	\$ 16,259,514	\$ -
Instructional student support	7,553,043	-	1,037,738	-
Administrative and financial support services	11,313,863	-	922,091	-
Operation and maintenance of plant services	13,076,767	-	595,761	-
Pupil transportation	11,082,939	-	7,310,553	-
Student activities	930,145	178,909	93,243	-
Community services	10,336	-	204	-
Interest on long-term debt	7,116,240	-	520,412	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>183,832,251</b>	<b>469,660</b>	<b>26,739,516</b>	<b>-</b>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Food service	2,857,068	98,847	2,858,189	-
<b>TOTAL SCHOOL DISTRICT ACTIVITIES</b>	<b>\$ 186,689,319</b>	<b>\$ 568,507</b>	<b>\$ 29,597,705</b>	<b>\$ -</b>

### GENERAL REVENUES

Property taxes, levied for general purposes  
 Taxes levied for specific purposes  
 Grants and entitlements not restricted to specific programs  
 Interest  
 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>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Totals</u>
\$ (116,198,653)	\$ -	\$ (116,198,653)
(6,515,305)	-	(6,515,305)
(10,391,772)	-	(10,391,772)
(12,481,006)	-	(12,481,006)
(3,772,386)	-	(3,772,386)
(657,993)	-	(657,993)
(10,132)	-	(10,132)
<u>(6,595,828)</u>	<u>-</u>	<u>(6,595,828)</u>
(156,623,075)	-	(156,623,075)
-	99,968	99,968
<u>(156,623,075)</u>	<u>99,968</u>	<u>(156,523,107)</u>
106,616,041	-	106,616,041
8,861,558	-	8,861,558
31,632,286	-	31,632,286
819,186	11,111	830,297
602,948	-	602,948
<u>148,532,019</u>	<u>11,111</u>	<u>148,543,130</u>
(8,091,056)	111,079	(7,979,977)
<u>(166,682,345)</u>	<u>(2,422,469)</u>	<u>(169,104,814)</u>
<u>\$ (174,773,401)</u>	<u>\$ (2,311,390)</u>	<u>\$ (177,084,791)</u>



# COATESVILLE AREA SCHOOL DISTRICT

## BALANCE SHEET

### GOVERNMENTAL FUNDS

JUNE 30, 2020

	General Fund	Capital Reserve Fund	Capital Projects Fund	(Nonmajor) Coatesville Area School District Building Authority	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 12,294,654	\$ 880,871	\$ 3,025,191	\$ -	\$ 16,200,716
Taxes receivable	7,447,271	-	-	-	7,447,271
Due from other funds	92,143	-	-	-	92,143
Due from other governments	6,028,934	-	-	-	6,028,934
Other receivables	118,412	-	-	-	118,412
Other assets	354,000	-	-	-	354,000
<b>TOTAL ASSETS</b>	<b>\$ 26,335,414</b>	<b>\$ 880,871</b>	<b>\$ 3,025,191</b>	<b>\$ -</b>	<b>\$ 30,241,476</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 10,997,222	\$ -	\$ 922,543	\$ -	\$ 11,919,765
Due to other funds	-	-	76,914	-	76,914
Accrued salaries and benefits	9,361,087	-	-	-	9,361,087
Unearned revenue	4,747,391	-	-	-	4,747,391
<b>TOTAL LIABILITIES</b>	<b>25,105,700</b>	<b>-</b>	<b>999,457</b>	<b>-</b>	<b>26,105,157</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue					
Property taxes	2,715,075	-	-	-	2,715,075
<b>FUND BALANCES</b>					
Restricted, capital projects	-	880,871	2,025,734	-	2,906,605
Unassigned	(1,485,361)	-	-	-	(1,485,361)
<b>TOTAL FUND BALANCES</b>	<b>(1,485,361)</b>	<b>880,871</b>	<b>2,025,734</b>	<b>-</b>	<b>1,421,244</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 26,335,414</b>	<b>\$ 880,871</b>	<b>\$ 3,025,191</b>	<b>\$ -</b>	<b>\$ 30,241,476</b>

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, 2020

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TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 1,421,244
<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	235,091,594
Furniture and equipment	17,130,274
Accumulated depreciation	(111,500,455)
<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	(214,752)
<p>Deferred outflows of resources related to pension and OPEB activities are not financial resources and therefore are not reported in the governmental funds.</p>	
	17,018,030
<p>Deferred inflows of resources related to pension and OPEB activities are not financial resources and therefore are not reported in the governmental funds.</p>	
	(27,728,735)
<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	(3,219,431)
Bonds payable, net	(163,553,116)
Leases	(751,095)
Compensated absences	(1,475,187)
Net pension liability	(137,756,000)
Net OPEB liability	(12,188,407)
<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>2,715,075</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (174,773,401)</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, 2020**

	General Fund	Capital Reserve Fund	Capital Projects Fund	(Nonmajor) Coatesville Area School District Building Authority	Total Governmental Funds
<b>REVENUES</b>					
Local sources	\$ 120,951,147	\$ 11,629	\$ 62,039	\$ 619,813	\$ 121,644,628
State sources	53,304,909	-	-	-	53,304,909
Federal sources	3,585,499	-	-	-	3,585,499
<b>TOTAL REVENUES</b>	<u>177,841,555</u>	<u>11,629</u>	<u>62,039</u>	<u>619,813</u>	<u>178,535,036</u>
<b>EXPENDITURES</b>					
Instruction	135,854,637	-	-	-	135,854,637
Support services	38,365,651	18,000	113,159	-	38,496,810
Operation of non-instructional services	1,010,761	-	-	-	1,010,761
Facilities acquisition, construction and improvement services	-	-	2,351,614	-	2,351,614
Debt service	9,839,216	-	28,986,000	619,813	39,445,029
<b>TOTAL EXPENDITURES</b>	<u>185,070,265</u>	<u>18,000</u>	<u>31,450,773</u>	<u>619,813</u>	<u>217,158,851</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(7,228,710)</u>	<u>(6,371)</u>	<u>(31,388,734)</u>	<u>-</u>	<u>(38,623,815)</u>
<b>OTHER FINANCING SOURCES</b>					
Capital lease proceeds	958,800	-	-	-	958,800
Proceeds from refunding bonds	-	-	28,986,000	-	28,986,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>958,800</u>	<u>-</u>	<u>28,986,000</u>	<u>-</u>	<u>29,944,800</u>
<b>NET CHANGE IN FUND BALANCES</b>	(6,269,910)	(6,371)	(2,402,734)	-	(8,679,015)
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<u>4,784,549</u>	<u>887,242</u>	<u>4,428,468</u>	<u>-</u>	<u>10,100,259</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ (1,485,361)</u>	<u>\$ 880,871</u>	<u>\$ 2,025,734</u>	<u>\$ -</u>	<u>\$ 1,421,244</u>

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, 2020**

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NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (8,679,015)
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.	(5,851,952)
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.	118,450
The issuance of long-term debt provides current financial resources to government funds, while the repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net position.	2,952,777
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	(386,453)
Pension and OPEB plan expense	6,851,653
Repayment of capital lease principal is an expenditure in Governmental Funds, but the repayment reduces long-term liabilities in the statement of net assets.	(751,095)
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).	(213,844)
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 increased by this amount this year.	<u>(2,131,577)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (8,091,056)</u>

*See accompanying notes to the basic financial statements.*

**COATESVILLE AREA SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**JUNE 30, 2020**

	Enterprise Fund <u>Food Service Fund</u>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 767,150
Other receivables	12,495
Inventories	31,524
TOTAL CURRENT ASSETS	<u>811,169</u>
<b>CAPITAL ASSETS</b>	
Furniture and equipment	1,600,815
Accumulated depreciation	(1,559,619)
TOTAL CAPITAL ASSETS	<u>41,196</u>
TOTAL ASSETS	<u>852,365</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows of resources, pension activity	310,000
Deferred outflows of resources, OPEB activity	35,490
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>345,490</u>
<b>CURRENT LIABILITIES</b>	
Accounts payable and accrued liabilities	70,958
Due to other funds	15,229
TOTAL CURRENT LIABILITIES	<u>86,187</u>
<b>NONCURRENT LIABILITIES</b>	
Compensated absences	69,599
Net pension liability	2,685,000
Net OPEB liability	187,732
TOTAL NONCURRENT LIABILITIES	<u>2,942,331</u>
TOTAL LIABILITIES	<u>3,028,518</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resource, pension activity	456,000
Deferred inflows of resource, OPEB activity	24,727
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>480,727</u>
<b>NET POSITION</b>	
Net investment in captial assets	41,196
Unrestricted	(2,352,586)
TOTAL NET POSITION	<u>\$ (2,311,390)</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, 2020**

	Enterprise Fund <u>Food Service Fund</u>
OPERATING REVENUES	
Charges for services	\$ 53,926
Miscellaneous	75,689
TOTAL OPERATING REVENUES	<u>129,615</u>
OPERATING EXPENSES	
Salaries	853,360
Employee benefits	451,871
Purchased professional and technical services	8,847
Purchased property services	7,384
Other purchased services	1,110
Supplies	1,529,562
Other operating expenses	357
TOTAL OPERATING EXPENSES	<u>2,857,068</u>
OPERATING LOSS	<u>(2,727,453)</u>
NONOPERATING REVENUES	
Interest	11,111
State sources	286,821
Federal sources	2,540,600
TOTAL NONOPERATING REVENUES	<u>2,838,532</u>
CHANGE IN NET POSITION	111,079
NET POSITION AT BEGINNING OF YEAR	<u>(2,422,469)</u>
NET POSITION AT END OF YEAR	<u>\$ (2,311,390)</u>

*See accompanying notes to the basic financial statements.*

# COATESVILLE AREA SCHOOL DISTRICT

## STATEMENT OF CASH FLOWS

### PROPRIETARY FUND

YEAR ENDED JUNE 30, 2020

	Enterprise Fund <u>Food Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 138,548
Payments to employees	(1,406,754)
Payments to suppliers	(1,513,377)
NET CASH USED BY OPERATING ACTIVITIES	<u>(2,781,583)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Federal sources	2,540,600
State sources	286,821
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>2,827,421</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition, construction and improvements of capital assets	<u>(45,773)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest	<u>11,111</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	11,176
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>755,974</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 767,150</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	\$ (2,727,453)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	4,577
Pension expense	(124,000)
OPEB Expense	1,960
(Increase) decrease in	
Other receivables	8,933
Inventories	(12,161)
Due from other funds	709
Increase (decrease) in	
Accounts payable and accrued liabilities	69,821
Compensated absences	20,517
Due to other funds	(24,486)
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (2,781,583)</u>
SUPPLEMENTAL DISCLOSURES	
Noncash activities	
Donated commodities	\$ 196,491

See accompanying notes to the basic financial statements.

**COATESVILLE AREA SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2020**

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	Private Purpose Trust Fund	Agency Fund
	<u>                    </u>	<u>                    </u>
ASSETS		
Cash and cash equivalents	\$ <u>183,442</u>	\$ <u>291,183</u>
LIABILITIES AND NET POSITION		
LIABILITIES		
Accounts payable	\$ 1,035	\$ <u>291,183</u>
NET POSITION		
Held in trust for benefits and other purposes	<u>182,407</u>	
TOTAL LIABILITIES AND NET POSITION	<u>\$ 183,442</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, 2020**

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	<u>Private Purpose Trust Fund</u>
ADDITIONS	
Interest	\$ 2,558
DEDUCTIONS	
Scholarships	<u>5,200</u>
CHANGE IN NET POSITION	(2,642)
NET POSITION AT BEGINNING OF YEAR	<u>185,049</u>
NET POSITION AT END OF YEAR	<u><u>\$ 182,407</u></u>

*See accompanying notes to the basic financial statements.*

**COATESVILLE AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**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 financial statements present the activities of the Coatesville Area School District and its component units, entities for which the District is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. The District is not a component unit of another reporting entity. The Coatesville Area School District Building Authority (the "Authority") and the Coatesville Community Education Foundation (the "Foundation") are considered to be blended component units because of their operational and financial relationship with the District as explained below.

**Blended Component Units**

The Authority was formed under the Municipal Authorities Act of 1945, as amended, and was incorporated in the Commonwealth of Pennsylvania on March 27, 2018 for the purpose acquiring, holding, constructing, improving, maintaining, and operating, owning or leasing, public school buildings and other school projects acquired, constructed or improved for public school purposes. The Authority is governed by a five-member board, which is appointed by the School Board. Although it is legally separate from the District, the Authority is reported as if it were part of the primary government because it conducts business solely with the District through a sale-leaseback agreement related to a public school building in the District. Financial information from the Authority for the year ended June 30, 2020, is combined in the accompanying financial statements by including financial information from the Authority as a special revenue fund in the District's governmental funds.

**COATESVILLE AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Foundation was incorporated in the Commonwealth of Pennsylvania on March 9, 2020 for the purpose of promoting innovative and supplemental educations programs for the benefit of students and residents of the Coatesville Area School District. The Foundation is governed by a three-member board, which is appointed by the School Board. Although it is legally separate from the District, the Foundation is reported as if it were part of the primary government because it provides services and benefits exclusively to the District. As of June 30, 2020, there was no financial activity for the Foundation.

**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, 2020, the District's share of operating costs was \$3,592,144. The Vo-Tech prepares financial statements which are available to the public. The financial statements of the Vo-Tech are available from the Chester County Intermediate Unit located at 455 Boot Road, Downingtown, PA 19335.

**Basis of Presentation 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.

**COATESVILLE AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.”

**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.

While the Authority is not a major governmental fund, its activity is shown in a separate column in the governmental funds financial statements.

**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.

**COATESVILLE AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

**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 and no restrictions on withdrawal.

**COATESVILLE AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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, 2020, was in excess of the minimum requirements just described.

**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.

**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 2019-2020 was 38.2018 mills (\$3.82018 for \$100 of assessed valuation) for the entire District.

**Prepaid Items and Inventories**

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

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

**COATESVILLE AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide 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.

**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.

**COATESVILLE AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 two items that qualify for reporting in this category. The deferred outflow of resources for pension activities is reported in the government-wide statement of net position and the proprietary fund statement of net position. 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, the differences between expected and actual experience, changes in assumption, and actual contributions subsequent to the measurement date. The deferred outflow of resources for OPEB activities is reported in the government-wide statement of net position and the proprietary fund statement of net position. The deferred outflow related to OPEB activity is the result of the net difference between projected and actual investment earnings, changes in assumptions, the difference between expected and actual experience, the difference between actual employer contributions and the School district's proportionate share of total contributions and 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 four 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 amounts on refunding, is reported in the government-wide statement of net position and 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 inflow related to pension activity is 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 expected and actual experience, net difference between projected and actual investment earnings and changes in proportion. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The deferred inflow of resources for OPEB activities is reported in the government-wide statement of net position and the proprietary fund statement of net position. The deferred inflow related to OPEB activity is the result of changes in assumptions, changes in proportions and the difference between actual employer contributions and the School district's proportionate share of total contributions.



**COATESVILLE AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fund Balance**

The District previously implemented GASB Statement No. 54, *Fund Balance reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the District's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- ***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 21). 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, 2020**

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**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, 2020, the carrying amount of the District's deposits was \$17,442,491 and the bank balance was \$19,455,187. Cash deposits in the amount of \$19,455,187 are uninsured and uncollateralized, and are in the Pennsylvania School District Liquid Asset Fund (PSDLAF). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PSDLAF acts like a money market mutual fund in that its objective is to maintain 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, 2020, PSDLAF was rated as AAAM by Standard and Poor's.

**COATESVILLE AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE D - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2020, was as follows:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated				
Land	\$ 2,812,500	\$ -	\$ -	\$ 2,812,500
Capital assets being depreciated				
Land improvements	7,425,060	-	-	7,425,060
Buildings and building improvements	234,030,578	1,061,016	-	235,091,594
Furniture and equipment	16,213,464	991,636	(74,826)	17,130,274
<b>TOTAL CAPITAL ASSETS         BEING DEPRECIATED</b>	<u>257,669,102</u>	<u>2,052,652</u>	<u>(74,826)</u>	<u>259,646,928</u>
Accumulated depreciation				
Land improvements	(7,169,149)	(23,259)	-	(7,192,408)
Buildings and building improvements	(83,835,362)	(7,287,915)	-	(91,123,277)
Furniture and equipment	(12,666,166)	(593,430)	74,826	(13,184,770)
<b>TOTAL ACCUMULATED         DEPRECIATION</b>	<u>(103,670,677)</u>	<u>(7,904,604)</u>	<u>74,826</u>	<u>(111,500,455)</u>
<b>TOTAL CAPITAL ASSETS         BEING DEPRECIATED, net</b>	<u>153,998,425</u>	<u>(5,851,952)</u>	<u>-</u>	<u>148,146,473</u>
<b>GOVERNMENTAL ACTIVITIES     CAPITAL ASSETS, net</b>	<u>156,810,925</u>	<u>(5,851,952)</u>	<u>-</u>	<u>150,958,973</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets being depreciated				
Furniture and equipment	1,555,042	45,773	-	1,600,815
Accumulated depreciation	(1,555,042)	(4,577)	-	(1,559,619)
<b>BUSINESS-TYPE ACTIVITIES         CAPITAL ASSETS, net</b>	<u>-</u>	<u>41,196</u>	<u>-</u>	<u>41,196</u>
<b>CAPITAL ASSETS, net</b>	<u>\$ 156,810,925</u>	<u>\$ (5,810,756)</u>	<u>\$ -</u>	<u>\$ 151,000,169</u>

**COATESVILLE AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE D - CAPITAL ASSETS (Continued)**

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

GOVERNMENTAL ACTIVITIES

Instruction	\$ 2,766,612
Operation and maintenance of plant service	158,092
Student transportation services	790,460
Central and other support services	158,092
Facilities and construction	<u>4,031,348</u>

TOTAL DEPRECIATION EXPENSE, GOVERNMENTAL ACTIVITIES	\$ <u><u>7,904,604</u></u>
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**COATESVILLE AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE E - INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of interfund balances as of June 30, 2020, is as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 92,143	\$ -
Capital Projects Fund	-	76,914
Food Service Fund	-	15,229
	<u>\$ 92,143</u>	<u>\$ 92,143</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, 2020:

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2020</u>	<u>Due Within One Year</u>
<b>GOVERNMENTAL ACTIVITIES</b>					
Bonds payable	\$ 158,664,104	\$ 28,986,000	\$ (30,810,989)	\$ 156,839,115	\$ 14,512,116
Capital lease	-	958,800	(207,705)	751,095	176,452
Premium on bonds payable	7,841,789	-	(1,127,788)	6,714,001	1,118,713
Accumulated compensated absences	1,261,343	213,844	-	1,475,187	147,519
Net pension liability	153,363,000	-	(15,607,000)	137,756,000	-
Other postemployment benefits	14,322,069	-	(2,133,662)	12,188,407	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 335,452,305</u>	<u>\$ 30,158,644</u>	<u>\$ (49,887,144)</u>	<u>\$ 315,723,805</u>	<u>\$ 15,954,800</u>
<b>BUSINESS-TYPE ACTIVITIES</b>					
Accumulated compensated absences	\$ 49,082	\$ 20,517	\$ -	\$ 69,599	\$ -
Net pension liability	2,989,000	-	(304,000)	2,685,000	-
Other postemployment benefits	236,366	-	(48,634)	187,732	-
TOTAL BUSINESS-TYPE ACTIVITIES	<u>\$ 3,274,448</u>	<u>\$ 20,517</u>	<u>\$ (352,634)</u>	<u>\$ 2,942,331</u>	<u>\$ -</u>

**COATESVILLE AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE F - GENERAL LONG-TERM DEBT (Continued)**

Bonds payable, net, consists of the following:

Bonds payable, at face	\$ 156,839,115
Bond premiums/(discounts), net	<u>6,714,001</u>
TOTAL BONDS PAYABLE, net	<u><u>\$ 163,553,116</u></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 2010, maturing August 2031, bearing interest ranging from 2.25% to 5.00%, interest payable semiannually on February 15 and August 15	\$ 53,365,000
Series of 2013, maturing August 2020, bearing interest ranging from 1.33% to 4.13%, interest payable semiannually on February 15 and August 15	4,348,115
Series A of 2017, maturing August 2025, bearing interest ranging from 2.00% to 5.00%, interest payable semiannually on February 1 and August 1	57,745,000
Guaranteed School Lease Revenue Bonds, Series of 2018, maturing June 2028, bearing interest ranging from 2.50% to 5.00%, interest payable semiannually on June 1 and December 1	12,395,000
Series of 2019, maturing October 2027, bearing interest at 3.95%, interest payable semiannually on October 1 and April 1	23,055,000
Series of 2019A, maturing October 2020, bearing interest at 2.62%, interest payable on maturity of the bond	<u>5,931,000</u>
TOTAL GENERAL OBLIGATION BONDS	<u><u>\$ 156,839,115</u></u>

**COATESVILLE AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE F - GENERAL LONG-TERM DEBT (Continued)**

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2021	\$ 14,512,116	\$ 8,327,227	\$ 22,839,343
2022	11,429,000	6,327,555	17,756,555
2023	12,012,000	5,743,157	17,755,157
2024	12,640,000	5,128,646	17,768,646
2025	13,298,000	4,482,148	17,780,148
2026-2030	76,098,000	12,490,584	88,588,584
2031-2032	<u>16,849,999</u>	<u>436,550</u>	<u>17,286,549</u>
	<u>\$ 156,839,115</u>	<u>\$ 42,935,867</u>	<u>\$ 199,774,982</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:

<u>Year Ending June 30,</u>	
2021	\$ 150,216
2022	150,216
2023	150,216
2024	<u>25,036</u>
	<u>\$ 475,684</u>

Rental expense, including short-term rentals, for the year ended June 30, 2020, was \$470,007.

**COATESVILLE AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE H - CAPITAL LEASES**

In September 2019, the District entered into a sixty month master lease agreement as a lessee for financing the acquisition of laptop computers. Interest, as stated in the master lease agreement, is 4.16%. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

The assets acquired through the capital lease are as follows:

Furniture and equipment	\$ 958,800
Accumulated depreciation	<u>(159,800)</u>
	<u>\$ 799,000</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2020, were as follows:

<u>Year Ending</u> <u>June 30,</u>	
2021	\$ 207,705
2022	207,705
2023	207,705
2024	207,705
Amount representing interest	<u>(79,725)</u>
PRESENT VALUE OF MINIMUM LEASE PAYMENTS	<u>\$ 751,095</u>

Total expenditures under capital leases for the year ended June 30, 2020 amounted to \$207,705.



**COATESVILLE AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE I - 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.pa.gov](http://www.psers.pa.gov).

**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, 2020**

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**NOTE I - 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, 2020, was 33.36% 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 \$13,931,000 for the year ended June 30, 2020.

**COATESVILLE AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE I - PENSION PLAN (Continued)**

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

At June 30, 2020, the School District reported a liability of \$140,441,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2018 to June 30, 2019. 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, 2020, the School District's proportion was 0.3002% which was a decrease of 0.0255% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the School District recognized pension expense of \$7,403,000. At June 30, 2020, 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>
<b>GOVERNMENTAL ACTIVITIES</b>		
Difference between expected and actual experience	\$ 759,000	\$ 4,566,000
Changes in assumptions	1,317,000	-
Net difference between projected and actual investment earnings	-	394,000
Changes in proportions	-	18,436,000
Difference between employer contributions and proportionate share of total contributions	183,000	-
Contributions subsequent to the measurement date	<u>13,665,000</u>	<u>-</u>
	<u>\$ 15,924,000</u>	<u>\$ 23,396,000</u>
<b>BUSINESS-TYPE ACTIVITIES</b>		
Difference between expected and actual experience	\$ 14,000	\$ 89,000
Changes in assumptions	26,000	-
Net difference between projected and actual investment earnings	-	8,000
Changes in proportions	-	359,000
Difference between employer contributions and proportionate share of total contributions	4,000	-
Contributions subsequent to the measurement date	<u>266,000</u>	<u>-</u>
	<u>\$ 310,000</u>	<u>\$ 456,000</u>

**COATESVILLE AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE I - PENSION PLAN (Continued)**

\$13,931,000 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, 2020. 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>
2020	\$ (6,911,000)	\$ (135,000)
2021	(10,199,000)	(199,000)
2022	(4,367,000)	(85,000)
2023	<u>340,000</u>	<u>7,000</u>
	<u>\$ (21,137,000)</u>	<u>\$ (412,000)</u>

**Actuarial Assumptions** - The total pension liability as of June 30, 2019, was determined by rolling forward the System's total pension liability as of the June 30, 2018 actuarial valuation to June 30, 2019, using the following actuarial assumptions:

- Actuarial cost method – entry age normal – level % of pay
- Investment Return – 7.25%, includes inflation at 2.75%
- Salary growth – effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

The actuarial assumptions used in June 30, 2017 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2015.

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.

**COATESVILLE AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE I - PENSION PLAN (Continued)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	20.0%	5.6%
Fixed income	36.0%	1.9%
Commodities	8.0%	2.7%
Absolute return	10.0%	3.4%
Risk parity	10.0%	4.1%
Infrastructure/MLP's	8.0%	5.5%
Real estate	10.0%	4.1%
Alternative investments	15.0%	7.4%
Cash	3.0%	0.3%
Financing (LIBOR)	-20.0%	0.7%
	<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, 2019.

**Discount Rate** - The discount rate used to measure the total pension liability was 7.25%. 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 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	<u>1% Decrease 6.25%</u>	<u>Current Discount Rate 7.25%</u>	<u>1% Increase 8.25%</u>
School District's proportionate share of the net pension liability	\$ <u>174,935,000</u>	\$ <u>140,441,000</u>	\$ <u>111,234,000</u>

**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.pa.gov](http://www.psers.pa.gov).

**COATESVILLE AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE J - 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, 2020.

**Change in Aggregate Claims Liabilities**

Change in aggregate claims liabilities for the year ended June 30, 2020, consisted of the following:

CLAIMS LIABILITY, BEGINNING OF YEAR	\$ 3,633,780
Current year claims and changes in estimates	8,757,439
Claim payments by the District	<u>(8,984,880)</u>
 CLAIMS LIABILITY, END OF YEAR	 \$ <u>3,406,339</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, 43 retirees are eligible for benefits, which are financed on a pay-as-you-go basis. The total amount of benefits paid was \$839,749 for the year ended June 30, 2020.

**NOTE K - 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.

**COATESVILLE AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE K - COMMITMENTS AND CONTINGENCIES (Continued)**

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.

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 L - 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 2019-2020 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**NOTE M - OTHER POSTEMPLOYMENT BENEFITS - PSERS**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the 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 are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**General Information about the Health Insurance Premium Assistance Program**

***Health Insurance Premium Assistance Program***

The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2019, there were no assumed future benefit increases to participating eligible retirees.

***Premium Assistance Eligibility Criteria***

Retirees of the System can participate in the Premium Assistance program if they satisfy the following criteria:

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program.

***Pension Plan Description***

PSERS is a governmental cost-sharing multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in 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.pa.gov](http://www.psers.pa.gov).



**COATESVILLE AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE M - OTHER POSTEMPLOYMENT BENEFITS – PSERS (Continued)**

***Contributions***

The school districts' contractually required contribution rate for the fiscal year ended June 30, 2020 was 0.84% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$357,000 for the year ended June 30, 2020.

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

At June 30, 2020, the District reported a liability of \$6,385,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2018 to June 30, 2019. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the District's proportion was 0.3002% percent, which was a decrease of 0.0255% from its proportion measured as of June 30, 2019.

**COATESVILLE AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE M - OTHER POSTEMPLOYMENT BENEFITS – PSERS (Continued)**

For the year ended June 30, 2020, the District recognized OPEB expense of \$103,000. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<b>GOVERNMENTAL ACTIVITIES</b>		
Difference between expected and actual experience	\$ 35,000	\$ -
Changes in assumptions	208,000	186,000
Net difference between projected and actual investment earnings	11,000	-
Changes in proportions	-	1,051,000
Difference between employer contributions and proportionate share of total contributions	1,000	2,000
Contributions subsequent to the measurement date	<u>350,000</u>	<u>-</u>
	<u>\$ 605,000</u>	<u>\$ 1,239,000</u>
	<u>Outflows of Resources</u>	<u>Inflows of Resources</u>
<b>BUSINESS-TYPE ACTIVITIES</b>		
Difference between expected and actual experience	\$ 1,000	\$ -
Changes in assumptions	4,000	4,000
Changes in proportions	-	20,000
Contributions subsequent to the measurement date	<u>7,000</u>	<u>-</u>
	<u>\$ 12,000</u>	<u>\$ 24,000</u>

**COATESVILLE AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE M - OTHER POSTEMPLOYMENT BENEFITS – PSERS (Continued)**

\$357,000 was reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2020	\$ (175,000)	\$ (3,000)
2021	(175,000)	(3,000)
2022	(188,000)	(4,000)
2023	(216,000)	(4,000)
2024	(152,000)	(5,000)
Thereafter	<u>(78,000)</u>	<u>-</u>
	<u>\$ (984,000)</u>	<u>\$ (19,000)</u>

***Actuarial Assumptions***

The Total OPEB Liability as of June 30, 2019, was determined by rolling forward the System’s Total OPEB Liability as of June 30, 2018 to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return – 2.79% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS’ experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- Participation rate:
  - Eligible retirees will elect to participate Pre age 65 at 50%.
  - Eligible retirees will elect to participate Post age 65 at 70%.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2015.

**COATESVILLE AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE M - OTHER POSTEMPLOYMENT BENEFITS – PSERS (Continued)**

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2017 determined the employer contribution rate for fiscal year 2019.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	13.2%	0.20%
Non-US Developed Fixed	83.1%	1.00%
US Core Fixed Income	3.7%	0.00%
	<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, 2019.

**COATESVILLE AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE M - OTHER POSTEMPLOYMENT BENEFITS – PSERS (Continued)**

***Discount Rate***

The discount rate used to measure the Total OPEB Liability was 2.79%. Under the plan’s funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan’s fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a “pay-as-you-go” plan. A discount rate of 2.79% which represents the S&P 20 year Municipal Bond Rate at June 30, 2019, was applied to all projected benefit payments to measure the total OPEB liability.

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2019, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2019, 93,339 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2019, 780 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the net OPEB liability for June 30, 2019, calculated using current Healthcare cost trends as well as what the net OPEB liability would be if its health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1%</u> <u>Decrease</u>	<u>Current</u> <u>Rate</u>	<u>1%</u> <u>Increase</u>
District’s proportionate share of the net OPEB liability	\$ <u>6,384,000</u>	\$ <u>6,385,000</u>	\$ <u>6,386,000</u>

**COATESVILLE AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE M - OTHER POSTEMPLOYMENT BENEFITS – PSERS (Continued)**

***Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Change in the Discount Rate***

The following presents the net OPEB liability, calculated using the discount rate of 2.79%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.79%) or 1-percentage-point higher (3.79%) than the current rate:

	1% Decrease 1.79%	Current Discount Rate 2.79%	1% Increase 3.79%
District's proportionate share of the net OPEB liability	\$ <u>7,274,000</u>	\$ <u>6,385,000</u>	\$ <u>5,648,000</u>

***OPEB Plan Fiduciary Net Position***

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report, which can be found on the System's website at [www.psers.pa.gov](http://www.psers.pa.gov).

**NOTE N - OTHER POSTEMPLOYMENT BENEFITS – SINGLE EMPLOYER PLAN**

**Plan Description**

The School District administers a single employer defined benefit health care plan. The plan provides medical insurance benefits for 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.

**COATESVILLE AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE N - OTHER POSTEMPLOYMENT BENEFITS – SINGLE EMPLOYER PLAN (Continued)**

**Plan Membership** - At June 30, 2019, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	54
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	580
	<hr/>
	634
	<hr/> <hr/>

**Funding Policy and Funding Status**

The plan is an unfunded plan with no assets accumulated in a trust. Contributions to the plan are equal to benefit payments. For the fiscal year ended June 30, 2019, the District contributed \$752,653 to the Plan related to retirees.

**Benefits Provided**

The plan provides the following benefits:

All teachers and other employees retired prior to June 30, 2010 are eligible for benefits under the plan. Benefits include medical, prescription drug, dental and vision. The School District and the retiree pay a portion of the premium that is specific to each employee. Once the retiree is Medicare eligible, the plan continues for the COBRA continuation period.

All teachers and other employees retired under early retirement incentive at June 30, 2010 or June 30, 2011 with 10 years of service to the district and are PSERS retirement eligible are eligible for benefits under the plan. Benefits include medical, prescription drug, dental and vision. The retiree must pay the active cost share amount at retirement plus any additional increases in premium that occur after retirement. Once the retiree is eligible for unreduced social security, the plan continues for the COBRA continuation period.

All teachers retired under early retirement incentive at June 30, 2012 and are PSERS retirement eligible are eligible for benefits under the plan. Benefits include medical, prescription drug, dental and vision. The retiree must pay the full premium. Once the retiree reaches age 65, the plan continues for the COBRA continuation period.

All teachers retired after July 1, 2012 and other employees retired after July 1, 2011 and are PSERS retirement eligible are eligible for benefits under the plan. Benefits include medical, prescription drug, dental and vision. The retiree must pay the full premium. Once the retiree is Medicare eligible, the plan continues for the COBRA continuation period.

**COATESVILLE AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE N - OTHER POSTEMPLOYMENT BENEFITS – SINGLE EMPLOYER PLAN (Continued)**

**Assumptions**

The following assumptions and actuarial methods and calculation were used:

**Interest Rate** – 3.36%, based on S&P Municipal Bond 20 Year High Grade Rate Index at July 1, 2019.

**Salary** - An assumption for salary increases is used only for spreading contributions over future pay under the entry age normal cost method. For this purpose, salary increases are composed of a 2.5% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies from 2.75% to 0%.

**Health Care Cost Trend Rate** – 5.5% in 2019 through 2021. Rates gradually decrease from 5.4% in 2022 to 3.8% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.

**Withdrawal** - Rates of withdrawal vary by age, gender and years of service. Sample rates for employees with more than 10 years of service are shown below. Rates for new employees start at 22.9% for both men and women and decrease with age and service.

<u>Age</u>	<u>Male Rate</u>	<u>Female Rate</u>	<u>Age</u>	<u>Male Rate</u>	<u>Female Rate</u>
25	2.57%	5.02%	45	1.37%	1.65%
30	2.57%	4.02%	50	1.92%	2.06%
35	1.50%	2.85%	55	3.38%	3.11%
40	1.34%	1.60%	60	5.57%	6.40%

**Mortality** - Separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation.

**Disability** - No disability was assumed.

**Retirement** - Assumed retirement rates are based on PSERS plan experience and vary by age, service and gender.

**Percent of Eligible Retirees Electing Coverage in Plan** – 55% of Teachers and Administrators and 35% of the Support Staff are assumed to elect coverage.

**Percent Married at Retirement** - 70% of employees are assumed to be married and have a spouse covered by the plan at retirement. Non-spouse dependents are deemed to be immaterial.

**Spouse Age** - Wives are assumed to be two years younger than their husbands.



**COATESVILLE AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE N - OTHER POSTEMPLOYMENT BENEFITS – SINGLE EMPLOYER PLAN (Continued)**

**Retiree Contributions** - Retiree Contributions are assumed to increase at the same rate as the Health Care Cost Trend Rate.

**Actuarial Value of Assets** - Equal to the Market Value of Assets.

**Actuarial Cost Method - Entry Age Normal** - Under the Entry Age Normal Cost Method, the Normal Cost is the present value of benefits allocated to the year following the valuation date. Benefits are allocated on a level basis over the earnings of an individual between the date of hire and the assumed retirement age. The Accrued Liability as of the valuation date is the excess of the present value of future benefits over the present value of future Normal Cost. The Unfunded Accrued Liability is the excess of the Accrued Liability over the Actuarial Value of Assets. Actuarial gains and losses serve to reduce or increase the Unfunded Accrued Liability.

**Changes in Assumptions** - In the 2019 actuarial valuation, the discount rate changed from 2.98% to 3.36%. The trend assumption was updated.

**Changes in the Total OPEB Liability**

	Total OPEB Liability	
	Governmental Activities	Business-Type Activities
Balance at June 30, 2018	\$ 7,661,069	\$ 106,366
Changes for the year		
Service cost	364,417	2,445
Interest cost	227,086	3,166
Changes for experience	(1,445,233)	(40,284)
Changes in assumptions	(134,018)	(1,222)
Benefit payments	(747,914)	(4,739)
Net changes	(1,735,662)	(40,634)
Balance at June 30, 2019	\$ 5,925,407	\$ 65,732

**COATESVILLE AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE N - OTHER POSTEMPLOYMENT BENEFITS – SINGLE EMPLOYER PLAN (Continued)**

***Sensitivity of the Total OPEB Liability to Changes in the Discount Rate***

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.36 percent) or 1-percentage-point higher (4.36 percent) than the current discount rate:

	1% Increase 2.36%	Current Discount Rate 3.36%	1% Increase 4.36%
Total OPEB liability	\$ <u>6,351,870</u>	\$ <u>5,991,139</u>	\$ <u>5,647,013</u>

***Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates***

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

	1% Decrease	Current Rates	1% Increase
Total OPEB liability	\$ <u>5,486,269</u>	\$ <u>5,991,139</u>	\$ <u>6,581,849</u>

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB** - For the year ended June 30, 2020, the School District recognized OPEB expense of \$286,836. At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
<b>GOVERNMENTAL ACTIVITIES</b>		
Changes in assumptions	\$ 11,254	\$ 449,973
Difference between expected and actual experience	-	2,643,762
Contributions subsequent to the measurement date	<u>477,776</u>	<u>-</u>
	<u>\$ 489,030</u>	<u>\$ 3,093,735</u>
<b>BUSINESS-TYPE ACTIVITIES</b>		
Changes in assumptions	\$ 334	\$ 727
Difference between expected and actual experience	21,405	-
Contributions subsequent to the measurement date	<u>1,751</u>	<u>-</u>
	<u>\$ 23,490</u>	<u>\$ 727</u>

**COATESVILLE AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE N - OTHER POSTEMPLOYMENT BENEFITS – SINGLE EMPLOYER PLAN (Continued)**

\$479,527 was reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date and will be recognized as a reduction of the OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	
2020	\$ (310,278)
2021	(310,278)
2022	(310,278)
2023	(310,278)
2024	(310,278)
Thereafter	<u>(1,510,079)</u>
	<u>\$ (3,061,469)</u>

**NOTE O - BUILDING SALE LEASEBACK**

In June 2018, the Coatesville Area School District Building Authority (the Authority), a component unit of the Coatesville Area School District (the District), issued Guaranteed School Lease Revenue Bonds of 2018 with a face value of \$12,400,000 and issued at a premium of \$907,553 to acquire The Scott Middle School Building from the District. The building will be leased back to the District in annual rental payments equal to the debt service on the bonds issued by the Authority. At the end of the bond term, ownership of the building will then revert to the District.

**NOTE P - SUBSEQUENT EVENTS**

***Debt Issuances***

In July 2020, the School District issued \$11,160,000 in Tax and Revenue Anticipation Notes, Series of 2020. Proceeds from the sale of the notes will be deposited into the School District's General fund as working capital to pay its general operating expenses, including the payment of debt service, pending the collection of property taxes and other general revenues and to pay the cost of issuing the notes. The notes mature on November 13, 2020.

In July 2020, the School District issued \$42,833,781 in General Obligation Bonds, Series 2020 A through D. Principal amounts of each series are as follows: \$21,050,075 (Series 2020A), \$6,432,770 (Series 2020B), \$3,005,755 (Series 2020C), and \$12,345,181 (Series 2020D). Proceeds from the Series A bonds will be used towards funding the School District's capital improvement plan. Proceeds from the Series B bonds will be used towards the current refunding of the School District's General Obligation Notes, Series 2019A. Proceeds from the Series C and D bonds will be used towards the refunding of the School District's General Obligation Notes, Series 2017. The bonds mature in October 2038 (Series A), October 2034 (Series B), October 2033 (Series C and D).

**COATESVILLE AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE Q - RISKS AND UNCERTAINTIES**

On March 11, 2020, the World Health Organization declared the novel coronavirus ("COVID-19") outbreak a pandemic, which has impacted the global economy. The School District's operations are heavily dependent on federal and state appropriations, grants and agreements to fund school operations. The COVID-19 pandemic is still on-going and the duration and extent of the related financial impact on the School District's net position and statement of activities is uncertain and cannot be reasonably estimated at this time.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**COATESVILLE AREA SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local sources	\$ 122,392,728	\$ 120,480,802	\$ 120,951,147	\$ 470,345
State sources	52,213,903	52,160,015	53,304,909	1,144,894
Federal sources	3,961,000	3,565,723	3,585,499	19,776
<b>TOTAL REVENUES</b>	<u>178,567,631</u>	<u>176,206,540</u>	<u>177,841,555</u>	<u>1,635,015</u>
<b>EXPENDITURES</b>				
Instruction				
Regular programs	74,354,741	67,358,379	79,642,141	(12,283,762)
Special programs	50,384,736	45,734,803	51,744,007	(6,009,204)
Vocational programs	4,457,588	4,104,317	4,227,167	(122,850)
Other instructional programs	977,119	925,529	241,322	684,207
<b>TOTAL INSTRUCTION</b>	<u>130,174,184</u>	<u>118,123,028</u>	<u>135,854,637</u>	<u>(17,731,609)</u>
Support services				
Pupil personnel services	3,670,901	3,714,521	3,542,881	171,640
Instructional staff services	3,762,449	3,736,571	3,506,766	229,805
Administrative services	7,315,236	7,710,210	7,834,272	(124,062)
Pupil health	1,168,892	1,140,286	963,280	177,006
Business services	1,257,208	1,326,600	1,087,817	238,783
Operation and maintenance of plant services	8,761,995	9,603,416	7,822,369	1,781,047
Student transportation services	12,074,468	10,152,533	10,470,291	(317,758)
Central support services	2,772,026	2,750,386	3,014,401	(264,015)
Other support services	106,255	116,744	123,574	(6,830)
<b>TOTAL SUPPORT SERVICES</b>	<u>40,889,430</u>	<u>40,251,267</u>	<u>38,365,651</u>	<u>1,885,616</u>
Operation of non-instructional services				
Student activities	1,198,551	1,182,822	1,000,270	182,552
Community services	-	48,257	10,491	37,766
<b>TOTAL OPERATION OF NON-INSTRUCTIONAL SERVICES</b>	<u>1,198,551</u>	<u>1,231,079</u>	<u>1,010,761</u>	<u>220,318</u>
Debt service	15,493,209	15,493,209	9,839,216	5,653,993
Budgetary reserve	-	5,590,000	-	5,590,000
<b>TOTAL EXPENDITURES</b>	<u>187,755,374</u>	<u>180,688,583</u>	<u>185,070,265</u>	<u>(4,381,682)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	(9,187,743)	(4,482,043)	(7,228,710)	(2,746,667)
<b>OTHER FINANCING SOURCES</b>				
Capital lease proceeds	-	-	958,800	958,800
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (9,187,743)</u>	<u>\$ (4,482,043)</u>	(6,269,910)	<u>\$ (1,787,867)</u>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>			4,784,549	
<b>FUND BALANCE AT END OF YEAR</b>			<u>\$ (1,485,361)</u>	

See accompanying note to the budgetary comparison schedule.

**COATESVILLE AREA SCHOOL DISTRICT**  
**NOTE TO THE BUDGETARY COMPARISON SCHEDULE**  
**YEAR ENDED JUNE 30, 2020**

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**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).

**NOTE B - EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the period ended June 30, 2020, expenditures exceeded appropriations in the following General Fund object levels:

Instruction		
Regular programs	\$	(12,283,762)
Special programs		(6,009,204)
Vocational programs		(122,850)
Support services		
Administrative services		(124,062)
Student transportation services		(317,758)
Central support services		(264,015)
Other support services		(6,830)

The expenditures exceeded appropriations in FY20 because the School District received revised bills for Charter School tuition and tuition for approved private schools in December of 2019. The district is working to restore the fund balance back to a positive position by continuing to look for cost cutting measures. For the upcoming 2021-2022 budget the School District will need to consider a tax increase to help restore the fund balance.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
SCHOOL DISTRICT'S PROPORTION OF THE NET PENSION LIABILITY (ASSET)	<u>0.3002%</u>	<u>0.3257%</u>	<u>0.3531%</u>	<u>0.3687%</u>	<u>0.3748%</u>	<u>22.2100%</u>
SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)	<u>\$ 140,441,000</u>	<u>\$ 156,352,000</u>	<u>\$ 174,390,000</u>	<u>\$ 182,716,000</u>	<u>\$ 162,345,000</u>	<u>\$ 87,909,000</u>
SCHOOL DISTRICT'S COVERED PAYROLL	<u>\$ 41,405,416</u>	<u>\$ 43,856,333</u>	<u>\$ 47,010,413</u>	<u>\$ 47,754,301</u>	<u>\$ 48,219,963</u>	<u>\$ 28,336,379</u>
SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) AS A PERCENTAGE OF ITS COVERED PAYROLL	<u>339.19%</u>	<u>356.51%</u>	<u>370.96%</u>	<u>382.62%</u>	<u>336.68%</u>	<u>310.23%</u>
THE PLAN'S FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>55.66%</u>	<u>54.00%</u>	<u>51.84%</u>	<u>50.14%</u>	<u>45.64%</u>	<u>57.24%</u>

**NOTES TO SCHEDULE**

The District's covered payroll noted above is as of the measurement date of the net pension liability (June 30, 2019, 2018, 2017, 2016, 2015 and 2014).

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.



**COATESVILLE AREA SCHOOL DISTRICT****SCHEDULE OF THE SCHOOL DISTRICT'S PSERS PENSION CONTRIBUTIONS****LAST SIX FISCAL YEARS**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
CONTRACTUALLY REQUIRED CONTRIBUTION	\$ 13,931,000	\$ 13,445,000	\$ 13,920,000	\$ 13,739,000	\$ 11,959,000	9,887,000
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	<u>13,931,000</u>	<u>13,445,000</u>	<u>13,920,000</u>	<u>13,739,000</u>	<u>11,959,000</u>	<u>9,887,000</u>
CONTRIBUTION (EXCESS) DEFICIENCY	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
SCHOOL DISTRICT'S COVERED PAYROLL	\$ <u>42,500,000</u>	\$ <u>41,405,416</u>	\$ <u>43,856,333</u>	\$ <u>47,010,413</u>	\$ <u>47,754,301</u>	\$ <u>48,219,963</u>
CONTRIBUTIONS AS A PERCENTAGE OF COVERED PAYROLL	<u>32.78%</u>	<u>32.47%</u>	<u>31.74%</u>	<u>29.23%</u>	<u>25.04%</u>	<u>20.50%</u>

**NOTE TO SCHEDULE**

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

# COATESVILLE AREA SCHOOL DISTRICT

## SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE PSERS NET OTHER POSTEMPLOYMENT BENEFIT PLAN LIABILITY LAST THREE FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>
SCHOOL DISTRICT'S PROPORTION OF THE NET OPEB LIABILITY (ASSET)	<u>0.3002%</u>	<u>0.3257%</u>	<u>0.3531%</u>
SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)	<u>\$ 6,385,000</u>	<u>\$ 6,791,000</u>	<u>\$ 7,194,000</u>
SCHOOL DISTRICT'S COVERED PAYROLL	<u>\$ 41,405,416</u>	<u>\$ 43,856,333</u>	<u>\$ 47,010,413</u>
SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET) AS A PERCENTAGE OF ITS COVERED PAYROLL	<u>15.42%</u>	<u>15.48%</u>	<u>15.30%</u>
THE PLAN'S FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL OPEB LIABILITY	<u>5.56%</u>	<u>5.56%</u>	<u>5.73%</u>

### NOTES TO SCHEDULE

The District's covered payroll noted above is as of the measurement date of the net pension liability June 30, 2019, 2018 and 2017).

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

**COATESVILLE AREA SCHOOL DISTRICT**  
**SCHEDULE OF THE SCHOOL DISTRICT'S PSERS OTHER POSTEMPLOYMENT**  
**BENEFIT PLAN CONTRIBUTIONS**  
**LAST THREE FISCAL YEARS**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
CONTRACTUALLY REQUIRED CONTRIBUTION	\$ 357,000	\$ 342,000	\$ 364,000
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	<u>357,000</u>	<u>342,000</u>	<u>364,000</u>
CONTRIBUTION (EXCESS) DEFICIENCY	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
SCHOOL DISTRICT'S COVERED PAYROLL	\$ <u>42,500,000</u>	\$ <u>41,405,416</u>	\$ <u>43,856,333</u>
CONTRIBUTIONS AS A PERCENTAGE OF COVERED PAYROLL	<u>0.84%</u>	<u>0.83%</u>	<u>0.83%</u>

**NOTE TO SCHEDULE**

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

**COATESVILLE AREA SCHOOL DISTRICT**  
**SCHEDULE OF CHANGES IN THE TOTAL OTHER POSTEMPLOYMENT**  
**BENEFIT PLAN LIABILITY AND RELATED RATIOS**  
**LAST THREE FISCAL YEARS**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
TOTAL OPEB LIABILITY			
Service cost	\$ 366,862	\$ 344,850	\$ 388,100
Interest	230,252	245,957	261,532
Changes in experience	(1,485,517)	-	(1,680,843)
Changes of assumptions	(135,240)	13,906	(435,642)
Benefit payments	<u>(752,653)</u>	<u>(764,723)</u>	<u>(1,573,002)</u>
NET CHANGE IN TOTAL OPEB LIABILITY	<u>(1,776,296)</u>	<u>(160,010)</u>	<u>(3,039,855)</u>
 TOTAL OPEB LIABILITY, BEGINNING	 <u>7,767,435</u>	 <u>7,927,445</u>	 <u>10,967,300</u>
 TOTAL OPEB LIABILITY, ENDING	 <u>\$ 5,991,139</u>	 <u>\$ 7,767,435</u>	 <u>\$ 7,927,445</u>
 COVERED PAYROLL	 <u>\$ 38,406,858</u>	 <u>\$ 40,089,961</u>	 <u>\$ 40,089,961</u>
 TOTAL OPEB LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	 <u>15.60%</u>	 <u>19.38%</u>	 <u>19.77%</u>

**NOTES TO SCHEDULE**

No assets are accumulated in a trust to pay benefits related to this plan

Changes in assumptions: In the 2019 actuarial valuations, this discount rate changed from 2.98% to 3.36%. The trend assumption was updated.

Changes in assumptions: In the 2018 actuarial valuation, the discount rate changed from 3.13% to 2.98%. The trend assumption was updated.

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

***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  
Thorndale, 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, 2020, 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 December 1, 2020.

***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  
Thorndale, 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.



Limerick, Pennsylvania  
December 1, 2020

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

To the Board of School Directors  
Coatesville Area School District  
Thorndale, 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, 2020. 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.

***Opinion on Each Major Federal Program***

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 major federal programs for the year ended June 30, 2020.

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

### ***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.

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

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

### ***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.



Limerick, Pennsylvania  
December 1, 2020



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

**COATESVILLE AREA SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2020**

Federal Grantor/Pass-Through Grantor/Program Title	Source Code	Federal CFDA Number	Federal Pass-Through Grantor's Number	Grant Period Beginning/ Ending Dates
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<b>Passed through the Pennsylvania Department of Education</b>				
Title I Grants to Local Educational Agencies	I	84.010	013-19-0089	July 22, 2018 to September 30, 2020
Title I Grants to Local Educational Agencies	I	84.010	013-20-0089	August 7, 2019 to September 30, 2020
Title I Grants to Local Educational Agencies	I	84.010	107-19-0089	July 22, 2018 to September 30, 2020
Title I Grants to Local Educational Agencies	I	84.010	107-20-0089	August 7, 2019 to September 30, 2020
Title I Grants to Local Educational Agencies	I	84.010	143-130089	July 1, 2013 to June 30, 2014
Title I Grants to Local Educational Agencies	I	84.010	042-13-0089	April 10, 2013 to September 30, 2014
TOTAL - TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES - 84.010				
Supporting Effective Instruction State Grants	I	84.367	020-19-0089	July 22, 2018 to September 30, 2020
Supporting Effective Instruction State Grants	I	84.367	020-20-0089	August 7, 2019 to September 30, 2020
TOTAL - SUPPORTING EFFECTIVE INSTRUCTION STATE GRANTS - 84.367				
English Language Acquisition Grants	I	84.365	010-18-0089	August 3, 2017 to September 30, 2019
English Language Acquisition Grants	I	84.365	010-19-0089	July 22, 2018 to September 30, 2020
English Language Acquisition Grants	I	84.365	010-20-0089	August 7, 2019 to September 30, 2020
TOTAL - ENGLISH LANGUAGE ACQUISITION GRANTS - 84.365				
Student Support and Academic Enrichment Program	I	84.424	144-20-0089	July 22, 2018 to September 30, 2020
Student Support and Academic Enrichment Program	I	84.424	144-20-0089	August 7, 2019 to September 30, 2020
TOTAL - STUDENT SUPPORT AND ACADEMIC ENRICHMENT PROGRAM - 84.424				
Twenty-First Century Community Learning Centers	I	84.287	410-006-2385	July 1, 2014 to June 30, 2015
Education Stabilization Fund (COVID-19)	I	84.425	200-20-0089	March 13, 2020 to September 30, 2021
Coronavirus Relief Fund (COVID-19)	I	21.019	2020-CS-01-34056	March 1, 2020 to October 30, 2020
<b>Passed through Chester County Intermediate Unit</b>				
Special Education Grants to States	I	84.027	062-20-0024	July 1, 2018 to June 30, 2019
Special Education Grants to States	I	84.027	062-20-0024	July 1, 2019 to June 30, 2020
TOTAL - 84.027				
Special Education Preschool Grants	I	84.173	131-14-0	July 1, 2018 to June 30, 2019
Special Education Preschool Grants	I	84.173	131-14-0	July 1, 2019 to June 30, 2020
TOTAL - 84.173				
TOTAL SPECIAL EDUCATION CLUSTER (IDEA)				
TOTAL FORWARD				

<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2019</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2020</u>	<u>Passed Through to Sub-Recipients</u>
\$ 1,706,749	\$ 673,043	\$ 369,288	\$ 303,755	\$ 303,755	\$ -	\$ -
1,639,067	951,529	-	1,192,862	1,192,862	241,333	-
53,140	38,969	1,731	37,238	37,238	-	-
59,561	17,017	-	10,207	10,207	(6,810)	-
861,400	-	(20,387)	-	-	(20,387)	-
161,209	-	(10,098)	-	-	(10,098)	-
	<u>1,680,558</u>	<u>340,534</u>	<u>1,544,062</u>	<u>1,544,062</u>	<u>204,038</u>	<u>-</u>
259,470	67,226	11,550	55,676	55,676	-	-
232,135	<u>84,867</u>	<u>-</u>	<u>101,148</u>	<u>101,148</u>	<u>16,281</u>	<u>-</u>
	<u>152,093</u>	<u>11,550</u>	<u>156,824</u>	<u>156,824</u>	<u>16,281</u>	<u>-</u>
78,231	5,588	5,588	-	-	-	-
71,475	52,415	14,365	38,050	38,050	-	-
63,262	<u>45,187</u>	<u>-</u>	<u>63,262</u>	<u>63,262</u>	<u>18,075</u>	<u>-</u>
	<u>103,190</u>	<u>19,953</u>	<u>101,312</u>	<u>101,312</u>	<u>18,075</u>	<u>-</u>
124,889	91,585	62,207	29,378	29,378	-	-
127,740	<u>36,497</u>	<u>-</u>	<u>1,810</u>	<u>1,810</u>	<u>(34,687)</u>	<u>-</u>
	<u>128,082</u>	<u>62,207</u>	<u>31,188</u>	<u>31,188</u>	<u>(34,687)</u>	<u>-</u>
252,793	<u>-</u>	<u>127,687</u>	<u>-</u>	<u>-</u>	<u>127,687</u>	<u>-</u>
1,346,239	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
451,358	<u>-</u>	<u>-</u>	<u>11,278</u>	<u>11,278</u>	<u>11,278</u>	<u>-</u>
1,277,512	596,172	596,172	-	-	-	-
1,200,844	<u>-</u>	<u>-</u>	<u>1,200,844</u>	<u>1,200,844</u>	<u>1,200,844</u>	<u>-</u>
	<u>596,172</u>	<u>596,172</u>	<u>1,200,844</u>	<u>1,200,844</u>	<u>1,200,844</u>	<u>-</u>
4,000	4,000	4,000	-	-	-	-
2,800	<u>-</u>	<u>-</u>	<u>2,800</u>	<u>2,800</u>	<u>2,800</u>	<u>-</u>
	<u>4,000</u>	<u>4,000</u>	<u>2,800</u>	<u>2,800</u>	<u>2,800</u>	<u>-</u>
	<u>600,172</u>	<u>600,172</u>	<u>1,203,644</u>	<u>1,203,644</u>	<u>1,203,644</u>	<u>-</u>
	<u>\$ 2,664,095</u>	<u>\$ 1,162,103</u>	<u>\$ 3,048,308</u>	<u>\$ 3,048,308</u>	<u>\$ 1,546,316</u>	<u>\$ -</u>

**COATESVILLE AREA SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2020**

Federal Grantor/Pass-Through Grantor/Program Title	Source Code	Federal CFDA Number	Federal Pass-Through Grantor's Number	Grant Period Beginning/ Ending Dates
<b>U.S. DEPARTMENT OF EDUCATION</b>				
TOTAL FORWARDED				
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
<b>Passed through the Substance Abuse and Mental Health Services Administration</b>				
Substance Abuse and Mental Health Services Projects of Regional and National Significance	I	93.243	1H79SM062038-01	September 30, 2014 to September 29, 2016
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<b>Passed through the Pennsylvania Department of Education</b>				
National School Lunch Program	I	10.555	N/A	July 1, 2019 to September 30, 2020
School Breakfast Program	I	10.553	N/A	July 1, 2019 to September 30, 2020
<b>Passed through the Pennsylvania Department of Agriculture</b>				
Value of U.S.D.A. Donated Commodities	I	10.555	N/A	July 1, 2018 to September 30, 2019
Value of U.S.D.A. Donated Commodities	I	10.555	N/A	July 1, 2019 to September 30, 2020
TOTAL CHILD NUTRITION CLUSTER - 10.553 & 10.555				
TOTAL FEDERAL AWARDS				

**Footnotes:**

- (A) Total amount of commodities received from Department of Agriculture.
- (B) Beginning inventory at July 1, 2019.
- (C) Total amount of commodities used.
- (D) Ending inventory at June 30, 2020.

**Source Codes:**

I = Indirect funding

*See accompanying 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, 2019</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2020</u>	<u>Passed Through to Sub-Recipients</u>
	\$ <u>2,664,095</u>	\$ <u>1,162,103</u>	\$ <u>3,048,308</u>	\$ <u>3,048,308</u>	\$ <u>1,546,316</u>	\$ <u>-</u>
\$ 99,756	<u>-</u>	<u>47,695</u>	<u>-</u>	<u>-</u>	<u>47,695</u>	<u>-</u>
N/A	1,540,783	-	1,540,783	1,540,783	-	-
N/A	803,327	-	803,327	803,327	-	-
N/A	- (A)	(10,924) (B)	10,924	10,924 (C)	- (D)	-
N/A	<u>201,518 (A)</u>	<u>- (B)</u>	<u>185,567</u>	<u>185,567 (C)</u>	<u>(15,951) (D)</u>	<u>-</u>
	<u>2,545,628</u>	<u>(10,924)</u>	<u>2,540,601</u>	<u>2,540,601</u>	<u>(15,951)</u>	<u>-</u>
\$	<u><u>5,209,723</u></u>	<u><u>1,198,874</u></u>	<u><u>5,588,909</u></u>	<u><u>5,588,909</u></u>	<u><u>1,578,060</u></u>	<u><u>-</u></u>

**COATESVILLE AREA SCHOOL DISTRICT**  
**NOTES TO THE SCHEDULE OF EXPENDITURES**  
**OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2020**

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**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 2020 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, 2020**

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**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 or material weaknesses 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. No significant deficiencies or 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 an unmodified opinion.
6. There were no audit findings that are required to be reported in accordance with the Uniform Grant Guidance.
7. The programs tested as major programs include:

Program	CFDA
Special Education Cluster (IDEA)	84.027, 84.173
8. The threshold used for distinguishing Types A and B programs was \$750,000.
9. Coatesville Area School District was determined to be a low-risk auditee.

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

None

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

None