

CHESTER COUNTY SCHOOL AUTHORITY
(A COMPONENT UNIT OF CHESTER COUNTY INTERMEDIATE UNIT)

FINANCIAL STATEMENTS

Year Ended June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Chester County School Authority
Downingtown, Pennsylvania**

Opinion

We have audited the financial statements of Chester County School Authority (a component unit of Chester County Intermediate Unit), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which comprise the Chester County School Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chester County School Authority, as of June 30, 2023, and the changes in financial position, and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Chester County School Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Chester County School Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Chester County School Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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.

Herbein + Company, Inc.

Reading, Pennsylvania
December 18, 2023

Chester County School Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS

Required Supplementary Information

June 30, 2023

The discussion and analysis of Chester County School Authority's ("Authority" or "School Authority") financial performance provides an overall review of the School Authority's financial activities for the fiscal year ended June 30, 2023. The intent of this discussion and analysis is to look at the School Authority's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School Authority's financial performance.

The Management's Discussion and Analysis (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 - and Management's Discussion and Analysis - for State and Local Governments*, issued June 1999.

GENERAL

The Chester County School Authority exists under the laws of the Commonwealth of Pennsylvania. The Board of the Authority consists of one member from each of the twelve-member school districts of Chester County. The Chester County School Authority was formed by the Chester County Joint School Committee and its twelve-member school districts for purposes of financing construction of school buildings and purchase of equipment to be further operated and maintained by the joint committee, and its member districts, and the Chester County Intermediate Unit (CCIU), under long-term leases.

FINANCIAL HIGHLIGHTS

The Chester County School Authority had a total net position of \$63,019,580, an increase of \$13,229,490 from the prior year.

Many school construction and renovation projects are eligible for partial cost reimbursement from the Commonwealth of Pennsylvania. These include the projects that have been completed at each of our Technical College High School Campuses. "PlanCon" is an acronym for Planning and Construction Workbook and is a set of forms and procedures used to establish the level of reimbursement for each project. For several years, and due to funding issues, the system has had a backlog of projects waiting for the reimbursement process to be completed. In late January 2022, CCIU received the final approval letters from PDE for both TCHS - Pennock's Bridge and TCHS - Pickering Campuses, which are Authority properties. In 2021-22, this resulted in \$4,166,394 in retroactive reimbursement. During 2022-23, \$1,131,063 was received.

In order to meet demand for space as a result of the growth of various Chester County Intermediate Unit (CCIU) programs, a number of Authority buildings have been earmarked for expansion or renovation. During the 2022-23 fiscal year, CCIU managed and completed a number of construction and renovation projects as well as started additional new construction and renovation projects to meet the growing demand for services.

Debt service payments to support the various Chester County School Authority Revenue Bonds are secured by lease agreements between the Authority and Chester County Intermediate Unit (CCIU) for the annual amount of the debt service payments. In March 2021, Moody's Investor's Service assigned a rating of Aa3 to the Authority Series 2018 bonds citing strong management and credit quality of the Chester County Intermediate Unit, whose lease payments secure the Authority's bonds. This rating will positively impact interest rates on future financings.

OVERVIEW OF FINANCIAL STATEMENTS

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A represents management's analysis of the Authority's financial condition and performance.

The financial statements report information about the Authority using full accrual accounting methods as utilized by similar business activities in the private sector.

The financial statements include a statement of net position; a statement of revenues, expenses, and changes in net position; a statement of cash flows; and notes to the basic financial statements. The statement of net position presents the financial position of the Authority on a full accrual historical cost basis. While the statement of net position provides information about the nature and amount of resources and obligations at year-end, the statement of revenues, expenses, and changes in net position presents the results of the business activities over the course of the fiscal year and the amounts by which the net position changed during the year. All changes in net position are reported concurrently with the occurrence of the underlying event giving rise to the change, regardless of the timing of the related cash flows.

The statement of cash flows reports changes in cash and cash equivalents resulting from operational, financing, and investing activities. This statement presents cash receipts and cash disbursements information, without consideration of the earnings event, the timing of any arising obligations, or depreciation of capital assets.

The notes to the basic financial statements provide required disclosures and other information that is essential to a full understanding of the financial data provided in the statements. The notes present information about the Authority's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies, and subsequent events.

FINANCIAL ANALYSIS

The School Authority's total net position was \$63,019,580 as of June 30, 2023.

Figure 1		
Condensed Statement of Net Position		
	<u>2022</u>	<u>2023</u>
<u>Assets</u>		
Current assets	\$ 6,623,017	\$ 14,481,882
Capital assets	101,566,753	102,475,047
Other assets	<u>49,056,496</u>	<u>43,093,117</u>
Total Assets	157,246,266	160,050,046
<u>Deferred Outflow of Resources</u>		
Deferred charge on bond refunding	143,436	-
Deferred lease modification	<u>-</u>	<u>122,123</u>
Total Deferred Outflows of Resources	143,436	122,123
<u>Liabilities</u>		
Current and other liabilities	5,667,491	8,707,398
Long-term liabilities	<u>49,886,381</u>	<u>43,532,514</u>
Total Liabilities	55,553,872	52,239,912
<u>Deferred Inflows of Resources</u>		
Deferred charge on bond refunding	-	332,582
Lease Revenue	<u>52,045,740</u>	<u>44,580,095</u>
Total Deferred Inflows of Resources	52,045,740	44,912,677
<u>Net Position</u>		
Net Investment in Capital Assets	47,092,046	52,739,951
Restricted for Capital Projects	338,215	5,677,060
Unrestricted	<u>2,359,829</u>	<u>4,602,569</u>
Total Net Position	<u>\$ 49,790,090</u>	<u>\$ 63,019,580</u>

Total assets increased \$2,803,780 from \$157,246,266 at June 30, 2022 to \$160,050,046 at June 30, 2023. The primary reason for the increase is cash and investments, interest receivable, and capital assets offset by lease receivable. The increase in cash and investments resulted from transfers from the primary government, as certain cash reserves were required for anticipated future grant funding. Capital assets increased \$908,294 as a result of the various construction and renovation projects.

The Authority recorded a deferred outflow of \$122,123 related to lease modifications as a result of the current year debt refunding.

Total liabilities decreased \$3,313,960 from \$55,553,872 at June 30, 2022 to \$52,239,912 at June 30, 2023. The primary reason for the decrease in liabilities is debt service payments, offset by an increase in due to primary government.

With the implementation of GASB Statement No. 87, the Authority now reports a deferred inflow of resources for lease revenue. This balance decreased by \$7,465,645 from \$52,045,740 at June 30, 2022 to \$44,580,095 at June 30, 2023. Deferred inflows also include \$332,582 related to bond refundings.

Figure 2
Condensed Statement of Revenues, Expenses and Changes in Net Position

	2022	2023
<u>Revenues</u>		
Charges for Services	\$ 9,197,456	\$ 9,019,747
Interest Income	1,643	183,043
Transfer from Primary Government	-	9,033,066
Total Revenues	<u>9,199,099</u>	<u>18,235,856</u>
<u>Expenses</u>		
Administration	10,771	105,450
Interest on Long-Term Debt	1,801,828	1,550,908
Depreciation	3,361,875	3,344,675
Loss on disposal of capital assets	-	5,333
Total Expenses	<u>5,174,474</u>	<u>5,006,366</u>
Increase (Decrease) in Net Position	4,024,625	13,229,490
Beginning Net Position	<u>45,765,465</u>	<u>49,790,090</u>
Ending Net Position	<u>\$ 49,790,090</u>	<u>\$ 63,019,580</u>

Revenue increased \$9,036,757 from \$9,199,099 at June 30, 2022 to \$18,235,856 at June 30, 2023. The primary reason for the increase is transfers from the primary government.

Expenses decreased \$168,108 from \$5,174,474 at June 30, 2022 to \$5,006,366 at June 30, 2023. The primary reason for the decrease was a reduction in interest expense, slightly offset by fees associated with a bond refunding.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2023, the School Authority had \$102,475,047 invested in a broad range of capital assets, including land, building, furniture, and equipment. The change over prior year relates to additions for current year renovations/purchases, offset by depreciation expense. See Note 4 to the financial statements for additional information on capital asset activity.

Figure 3		
Capital Assets (net of depreciation)		
	2022	2023
Land	\$ 2,871,312	\$ 2,968,523
Site Improvements	482,389	418,378
Building & Building Improvements	97,745,708	94,570,872
Furniture & Equipment	467,344	356,183
Construction in Progress	-	4,161,091
Total	\$ 101,566,753	\$ 102,475,047

Debt Administration

At year-end, the School Authority had \$48,441,000 in school lease revenue bonds outstanding.

On July 8, 2022 the CCIU took advantage of an opportunity for significant cost savings through the refinancing of the 2014 School Authority Revenue Bond Issue at a much lower interest rate. The refinancing resulted in a savings of \$180,673 in future interest costs. The 2014 Bond issue was part of the refinancing plan for the original Series 2005 Revenue Bond that financed Technical College High School - Pennock's Bridge and was scheduled to retire in 2026. The new bond, Series 2022 Revenue Refunding Bond, was issued on July 8, 2022 in the amount of \$12,290,000 and will also retire in 2026.

Figure 4		
Outstanding Long-Term Debt		
	2022	2023
Lease Revenue Bonds	\$ 53,329,000	\$ 48,441,000

See Note 5 to the financial statements for additional information on long-term debt activity.

ECONOMIC FACTORS AND THE SCHOOL AUTHORITY'S FUTURE

CCIU is currently managing a number of construction and renovation projects within Authority owned facilities to meet the growing demand for services. The projects include:

- CCIU Learning Center - The CCIU Learning Center (CCLC) has been in operations since 2013. The CCLC encompasses two separate and distinct strands of services delivery that include an alternative education program (Options); serving students who experience emotional and behavioral difficulties, as well as a vocational training program (Career Academy); serving students with a variety of disabilities from developmental to emotional and behavior concerns. During 2022-23, CCIU developed a renovation plan that addressed programmatic and facility needs that include: demolition and removal of an obsolete greenhouse, creation of digital media and arts vocational spaces, security upgrades, installation of new windows, modernize the health suite, renovation of vocational shops, creation of outdoor recreation area, and various landscaping, paving, and outside repairs. This work will be completed in phases over the next few years as the building is almost fully occupied. The estimated cost of the project is \$4,480,000. In October 2022, CCIU was awarded a \$1,250,000 Redevelopment Assistance Capital Program (RACP) Grant to offset the cost of the planned renovation.
- West Chester Educational Center - The project included the expansion of additional preschool special education and head start classrooms in the West Chester Area School District. The project was completed in April, 2023 with the installation of the playground surface and equipment. The building welcomed students who attended the extended school year programs. In addition, CCIU has negotiated a new lease to open new Early Head Start and Pre-K Count classrooms. The new space was occupied by a charter school for children from kindergarten to second grade and needs little renovations. These programs occupied the new space in October 2023.
- Toddler Center - The Toddler Center is on the Coatesville Campus and provides daycare for the young parent's program as well as CCIU staff. The project involves the demolition of the existing structure in order to construct a new expanded building and a thirty space parking lot, sidewalks, handicap access, and student drop-off area. The new center will include three classrooms, separate restrooms for adults and children, evaluation room, kitchen area, and storage. The building will be equipped with fire suppression systems, security systems, and internet connectivity. An existing playground that is adjacent to the building will also be upgraded. The project is estimated to cost \$3,200,000. CCIU was notified on December 6, 2021, that it was awarded a \$1,000,000 Redevelopment Assistance Capital Program (RACP) Grant to offset the planned renovations. In addition, CCIU was awarded a \$250,000 grant to fund upgrades to the Toddler Center's playground equipment. The project is on schedule and is anticipated to be occupied by February 2024.
- Educational Service Center (ESC) and TCHS Brandywine Campus - The continued growth of the Brandywine Virtual Academy and changes in other divisions has created the need for additional offices and workstations at the Boot Road campus. CCIU is currently in the development phase to relocate the Communication staff from TCHS-Brandywine to ESC. The project was completed in August 2023.

- Engle Education Center - Fred S. Engle Middle School is located in the Avon Grove School District. It shares a 70-acre campus with the future Avon Grove Middle School and athletic complex. CCIU and Avon Grove School District developed a lease arrangement for the use of the former school for various CCIU programs including Head Start, Preschool Special Education, Migrant Education, and other student service programs. The school district would also repurpose space for several district office functions including the superintendent, assistant superintendent, and business office staff along with a staff development center. CCIU continues to refine the renovation plans needed to repurpose spaces for our programs. The construction bids are anticipated to be awarded in February 2024 with the project completion date of May 2025.

- Child Career and Development Center - Great Valley - CCIU entered into negotiation to acquire property in East Whiteland Township to develop a new school building. The new school would serve approximately 175-200 students in various CCIU programs. This project will be funded through a combination of the Capital Projects Fund, future bond issues and grants. The team is working with our financing consultant and bond counsel on the first round of financing in early 2024. In addition, the team is working with the architects, engineers and land development consultants to develop plans for the site and present them to the township's supervisors with the hope of final approvals in February 2024. The goal is to award construction bids in August 2024 and complete the project by August 2026.

- 1002 South Chestnut Street - To help address the need for more space for our TCHS programs, in July 2023, CCIU finalized a lease for a building a short distance away from the TCHS-Brandywine campus at 1002 South Chestnut Street in Downingtown. The space will accommodate Customized Technical Education (CTE) administrative staff as well as a new diesel mechanic program. Renovations to the facility are completed. We anticipate occupying the building and starting the new diesel program in January 2024.

- TCHS-Brandywine - As a result of the new lease on South Chestnut Street (above), there is additional space at TCHS-Brandywine that once accommodated the CTE administrative staff. This space will require minor renovations to convert it into a sports medicine program. The program is targeted to open at the beginning of the 2024-25 school year.

CONTACTING THE SCHOOL AUTHORITY FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors, and creditors with a general overview of the School Authority's finances and to show the School Authority's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact the Business Office, Chester County Intermediate Unit, 455 Boot Road, Downingtown, PA 19335, (484) 237-5000.

CHESTER COUNTY SCHOOL AUTHORITY

STATEMENT OF NET POSITION

June 30, 2023

ASSETS

CURRENT ASSETS

Cash and investments	\$ 8,072,543
Interest receivable - primary government	113,821
Interest receivable	303,485
Lease receivable - primary government	744,669
Lease receivable	<u>5,247,364</u>

TOTAL CURRENT ASSETS 14,481,882

NONCURRENT ASSETS

Lease receivable - primary government	8,858,625
Lease receivable	34,234,492
Capital assets not being depreciated	7,129,614
Capital assets, net of accumulated depreciation	<u>95,345,433</u>

TOTAL NONCURRENT ASSETS 145,568,164

TOTAL ASSETS 160,050,046

DEFERRED OUTFLOW OF RESOURCES

Deferred charge on lease modification	<u>122,123</u>
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LIABILITIES

CURRENT LIABILITIES

Due to primary government	2,378,025
Accrued interest	459,373
Current portion of bonds payable	<u>5,870,000</u>

TOTAL CURRENT LIABILITIES 8,707,398

NONCURRENT LIABILITIES

Bonds payable, net	<u>43,532,514</u>
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TOTAL LIABILITIES 52,239,912

DEFERRED INFLOWS OF RESOURCES

Deferred charge on bond refunding	332,582
Lease revenue - primary government	8,270,770
Lease revenue	<u>36,309,325</u>

TOTAL DEFERRED INFLOWS OF RESOURCES 44,912,677

NET POSITION

Net investment in capital assets	52,739,951
Restricted for:	
Capital projects	5,677,060
Debt service	<u>4,602,569</u>

TOTAL NET POSITION \$ 63,019,580

CHESTER COUNTY SCHOOL AUTHORITY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended June 30, 2023

OPERATING REVENUES		
Charges for services - lease revenue		\$ 9,019,747
OPERATING AND ADMINISTRATIVE EXPENSES		
Administrative and financial support		105,450
Depreciation		<u>3,344,675</u>
	TOTAL OPERATING AND ADMINISTRATIVE EXPENSES	<u>3,450,125</u>
	OPERATING INCOME	5,569,622
NONOPERATING REVENUES (EXPENSES)		
Loss on disposal of capital assets		(5,333)
Interest income		183,043
Interest expense		<u>(1,550,908)</u>
	TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(1,373,198)</u>
	INCOME BEFORE TRANSFERS	4,196,424
TRANSFERS FROM PRIMARY GOVERNMENT		<u>9,033,066</u>
	CHANGE IN NET POSITION	13,229,490
NET POSITION - BEGINNING OF YEAR		<u>49,790,090</u>
	NET POSITION - END OF YEAR	<u><u>\$ 63,019,580</u></u>

CHESTER COUNTY SCHOOL AUTHORITY

STATEMENT OF CASH FLOWS

Year Ended June 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 6,861,940
Payments to suppliers for goods and services	<u>(105,450)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	6,756,490
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from refunding bond issuance	12,290,000
Transfers from primary government	11,410,906
Repayment of bonds and notes payable	(17,178,000)
Interest paid on long-term debt	(1,878,690)
Purchase of capital assets	<u>(4,258,302)</u>
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	385,914
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>183,043</u>
NET INCREASE IN CASH	7,325,447
CASH AT BEGINNING OF YEAR	<u>747,096</u>
CASH AT END OF YEAR	<u><u>\$ 8,072,543</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 5,569,622
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	3,344,675
Changes in:	
Interest receivable	42,969
Lease receivable	5,386,992
Deferred outflow - lease modification	(122,123)
Deferred inflow - lease revenue	<u>(7,465,645)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 6,756,490</u></u>

See accompanying notes.

CHESTER COUNTY SCHOOL AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

The Chester County School Authority (the "Authority") was formed by the Chester County Joint School Committee and its 12 member school districts for purposes of financing construction of school buildings and purchase of equipment to be further operated and maintained by the joint committee, its member districts, and the Chester County Intermediate Unit under long-term leases.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include only the statements of the Authority.

The Authority used guidance contained in generally accepted accounting principles to evaluate the possible inclusion of related entities (authorities, boards, councils, fiduciary activities, etc.) within its reporting entity. Accounting principles generally accepted in the United States of America require that the reporting entity consists of the primary government and legally separate entities for which the primary government is financially accountable. In addition, the primary government may determine through the exercise of management's professional judgment that the inclusion of a legally separate entity that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading. In such instances, that legally separate entity should be included as a component unit if the nature and significance of their relationship with the primary government or other component units are such that the exclusion from the financial reporting entity would render the financial reporting entity's financial statements incomplete or misleading. In evaluating how to define the reporting entity, management has considered all potential component units.

Based on the foregoing criteria, the Authority has determined it has no component units, but it is a component unit of the Chester County Intermediate Unit (Primary Government). The Authority has the same governing board and a financial burden relationship exists between the entities. The statements represent the activity of the Chester County School Authority only, and do not reflect any activity of the primary government.

CHESTER COUNTY SCHOOL AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. Basis of Presentation

All activities of the Authority are accounted for within a single proprietary (enterprise) fund and are classified as a business-type activity. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are the financing and construction of capital projects with lease charges assessed to users of the facilities. Operating expenses include administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Since the direct beneficiary of the building projects are the primary government, the related capital and debt activity are reported as nonoperating.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The Authority's activity is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Accordingly, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with operations are included on the statement of net position. Net position (i.e., total assets and deferred outflows of resources net of total liabilities and deferred inflows of resources) are segregated into net investment in capital assets, restricted, and unrestricted elements. Revenues are reported when earned and expenses are reported when a liability is incurred, regardless of the timing of related cash flows.

D. Budgetary Process

The Authority is a financing authority and as such there is no legally adopted budget.

CHESTER COUNTY SCHOOL AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Financial Position

1. Cash and Cash Equivalents

For the purpose of reporting cash flows, the Authority considers all highly-liquid investments with a maturity of three months or less when purchased to be cash equivalents.

2. Investments

Investments are valued at fair value in accordance with Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*, except for investments in external investment pools, which are valued at amortized costs if required criteria are met as outlined in Governmental Accounting Standards Board Statement No. 79, *Certain External Investment Pools and Pool Participants*.

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investments are exposed to various risks such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near-term and that such changes could materially affect the amounts reported in the statement of net position.

3. Leases

Chester County School Authority is a lessor for noncancellable leases of building space. The Authority recognizes a lease receivable and a deferred inflow of resources in the statement of net position.

At the commencement of a lease, the Authority initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

CHESTER COUNTY SCHOOL AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Financial Position - continued

3. Leases - continued

Key estimates and judgments include how the Authority determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- Chester County School Authority uses the interest rate implied in the lease agreement as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Also included within the lease term are qualifying lease renewals or early termination options that the Authority is reasonably certain to exercise or not. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The Authority monitors changes in circumstances that would require a remeasurement of its leases, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

4. Capital Assets and Depreciation

The Authority's capital assets with useful lives of more than one year are stated at historical cost and comprehensively reported in the financial statements. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. Donated capital assets are recorded at the estimated fair value of the item at the date of donation.

The Authority generally capitalizes assets with cost of \$5,000 or more as purchase and construction outlays occur. Assets purchased or constructed with long-term debt may be capitalized regardless of the threshold established. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Construction in progress is stated at cost and consists primarily of costs incurred on construction projects. No provision for depreciation is made on construction in progress until the assets are complete and placed into service. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

CHESTER COUNTY SCHOOL AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Financial Position - continued

4. Capital Assets and Depreciation - continued

Estimated useful lives for depreciable assets are as follows:

<u>Assets</u>	<u>Years</u>
Buildings and building improvements	25 - 50
Site improvements	20
Machinery and equipment	5 - 20

5. Valuation of Long-Lived Assets

Long-lived assets to be held and used are required to be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In general, any long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell. The Authority periodically evaluates the recoverability of its long-lived assets, including real estate and improvements and deferred costs, using objective methodologies. Such methodologies include evaluations based on cash flows generated by the underlying assets or other determinants of fair value. None of the Authority's long-lived assets were considered to be impaired as of June 30, 2023.

6. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the proprietary fund financial statements. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Other bond issuance costs are expensed at the time the debt is issued.

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net 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 (expenses) until then. The Authority has the following item that qualifies for reporting in this category:

A deferred outflow of resources for lease modification results from lease modifications that are a result of a debt refunding. The deferred outflows is recognized as lease revenue in a systematic and rational manner over the remaining life of the old debt or new debt, whichever is shorter.

CHESTER COUNTY SCHOOL AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Financial Position - continued

7. Deferred Outflows/Inflows of Resources- continued

In addition to liabilities, the statement of net position will sometimes report a separate section for 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 Authority has the following items that qualify for reporting in this category:

A deferred charge on bond refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Deferred inflows of resources for lease revenue relate to lessor agreements the Authority has for building space. The deferred inflows of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

8. Net Position and Flow Assumptions

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net investment in the capital assets component of net position is comprised of capital assets, net of accumulated depreciation/amortization, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. In addition, any deferred outflows of resources and/or deferred inflows of resources related to such capital assets or liabilities associated with the capital assets should also be added to or deducted from the overall net investment in capital assets. If there are unspent related debt proceeds at year-end, the portion of debt attributed to the unspent bond proceeds is not included in the calculation of net investment in capital assets. The restricted component of net position is used when there are limitations imposed on their use either through the enabling legislation adopted by a higher governmental authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining component of net position is unrestricted.

The Authority applies restricted resources first when an expense is incurred for purposes for which both the restricted and unrestricted components of net position are available.

F. Use of Estimates

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

CHESTER COUNTY SCHOOL AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

G. Adoption of Accounting Standard

During the year ended June 30, 2023, the Authority adopted new accounting guidance GASB Statement No. 96 retroactive to July 1, 2022. GASB Statement No. 96 was issued to (1) define subscription-based information technology arrangements (SBITAs) (2) establish that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provide the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) require note disclosures regarding a SBITA. There was no impact on the financial statements as a result of this standard implementation.

NOTE 2 - CASH AND INVESTMENTS

Under Section 440.1 of the Public School Code of 1949, as amended, the Authority is permitted to invest funds in the following types of investments:

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

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

Pennsylvania Act 10 of 2016 became effective May 25, 2016, and expanded the permitted investment types to include commercial paper, bankers' acceptances, negotiable certificates of deposit, and insured bank deposit reciprocals as long as certain safeguards related to credit quality and maturity are met.

The deposit and investment policy of the Authority adheres to state statutes. There were no deposits or investment transactions during the year that were in violation of either the state statutes or the policy of the Authority.

CHESTER COUNTY SCHOOL AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 2 - CASH AND INVESTMENTS - CONTINUED

The breakdown of total cash and investments at June 30, 2023, is as follows:

Deposits	\$	245,335
Pooled cash and investments		<u>7,827,208</u>
		<u><u>\$ 8,072,543</u></u>

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The Authority does not have a policy for custodial credit risk. As of June 30, 2023, the Authority’s deposits consist of a bank and book balance of \$245,335. At June 30, 2023, the entire bank balance of \$245,335 was covered by federal depository insurance.

Pooled Cash and Investments

As of June 30, 2023, the Authority had the following investments:

	<u>Fair Value</u>	<u>Carrying Value</u>
PA School District Liquid Asset Fund:		
MAX Account Balance	\$ 136,067	\$ 136,067
Full Flex Pool	7,589,358	7,589,358
PA Local Government Investment Trust:		
PLGIT - Class	101,783	<u>101,783</u>
Total pooled cash and investments		<u><u>\$ 7,827,208</u></u>

Certain external investments held by the Authority, based on portfolio maturity, quality, diversification, and liquidity measures, qualify for measurement at amortized cost at both the pool and participating government level consistent with GASB Statement No. 79. The Authority measures those investments, which include PSDLAF and PLGIT at amortized cost. All investments in external investment pools that are not registered with the Securities and Exchange Commission are subject to oversight by the Commonwealth of Pennsylvania.

A portion of the Authority’s deposits are in the Pennsylvania School District Liquid Asset Fund (PSDLAF) and the Pennsylvania Local Government Investment Trust (PLGIT). PSDLAF and PLGIT act like a money market mutual fund in that the objective is to maintain a stable net asset value of \$1 per share, are rated by a nationally recognized statistical rating organization, and are subject to an independent annual audit.

CHESTER COUNTY SCHOOL AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 2 - CASH AND INVESTMENTS - CONTINUED

Pooled Cash and Investments - continued

The PSDLAF MAX fund invests in U.S. Treasury securities, U.S. government securities, its agencies and instrumentalities, and repurchase agreements, collateralized by such securities and contracted with highly-rated counterparties. Weighted average portfolio maturity for the fund is expected to be kept at or below 60 days. PSDMAX does not have limitations or restrictions on withdrawals.

The PSDLAF Full Flex Pool, as part of the Fixed-Income Series at PSDLAF, is fixed-term investments collateralized in accordance with Act 72 and invests in assets listed above as permitted under Section 440.1 of the Public School Code of 1949. The Fixed-Term Series are fixed-term investment vehicles with maturities depending upon the maturity date of each particular Fixed-Term Series. All investments in a Fixed-Term Series by a Settlor are intended to be deposited for the full term of the particular Fixed-Term Series; however, participants in the full flex pool may remove funds without early withdrawal penalty. Whether a Fixed-Term Series has only one Settlor or more than one Settlor participating in it, each certificate of deposit in which the monies in such Fixed-Term Series are invested is registered in the name of that particular Fixed-Term Series.

PLGIT invests primarily in U.S. Treasury and federal agency securities and repurchase agreements secured by such obligations, as well as certain municipal obligations and collateralized or insured certificates of deposit. The fund manager intends to comply with guidelines similar to those mandated for money-market funds as contained in Rule 2a-7 of the Investment Company Act of 1940.

PLGIT - Class Shares are a flexible option within the PLGIT fund which requires no minimum balance, no minimum initial investment, and a one-day minimum investment period. Dividends are paid monthly.

At June 30, 2023, the entire PSDLAF and PLGIT book balance of \$7,827,208 is considered to be a cash equivalent for presentation on the financial statements.

Interest Rate Risk

The Authority does have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

CHESTER COUNTY SCHOOL AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 2 - CASH AND INVESTMENTS - CONTINUED

Credit Risk

The Authority has no investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2023, the Authority's investments were rated as:

<u>Investments</u>	<u>Standard & Poor's</u>
PA School District Liquid Asset Fund	AAAm
PA Local Government Investment Trust	AAAm

Concentration of Credit Risk

The Authority does have a policy that would limit the amount they may invest in any one issue. The Authority's current investments are excluded from this risk.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Authority has no investments subject to custodial credit risk.

CHESTER COUNTY SCHOOL AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 3 - LEASE RECEIVABLE

The Authority has issued revenue bonds for certain building construction. Issued simultaneously with each revenue bond was a lease agreement with the user(s) of the facility. These leases are payable semi-annually and accrue interest at rates varying from 1.88% to 3.54%. The outstanding leases have varying maturity dates through April 1, 2035. The Authority has recorded a lease receivable from these agreements as of June 30, 2023 of \$49,085,150 (\$9,603,294 - primary government and \$39,481,856 - others) as well as a deferred inflow of resources of \$44,580,095 (\$8,270,770 - primary government and \$36,309,325 - others).

Lease-related revenue is as follows for the year ended June 30, 2023:

	Primary Government	Other	Total
Lease revenue:			
Building space	\$ 1,438,395	\$ 6,007,894	\$ 7,446,289
Interest revenue	359,028	1,214,430	1,573,458
Total	\$ 1,797,423	\$ 7,222,324	\$ 9,019,747

The leases mature as follows for the years ending June 30:

	Principal	Interest	Total
2024	\$ 5,992,033	\$ 1,473,408	\$ 7,465,441
2025	6,144,832	1,320,021	7,464,853
2026	6,306,416	1,162,365	7,468,781
2027	6,003,799	1,000,286	7,004,085
2028	6,207,995	795,528	7,003,523
2029 - 2033	14,044,375	1,745,353	15,789,728
2034 - 2035	4,385,700	202,825	4,588,525
	\$ 49,085,150	\$ 7,699,786	\$ 56,784,936

CHESTER COUNTY SCHOOL AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 4 - CHANGES IN CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2023, are as follows:

	Beginning Balance	Increase	Reclass/ Decrease	Ending Balance
Capital assets not being depreciated:				
Land	\$ 2,871,312	\$ 97,211	\$ -	\$ 2,968,523
Construction in progress	-	4,161,091	-	4,161,091
Total assets not being depreciated	<u>2,871,312</u>	<u>4,258,302</u>	<u>-</u>	<u>7,129,614</u>
Capital assets being depreciated:				
Buildings and building improvements	126,640,815	-	-	126,640,815
Site improvements	1,658,844	-	-	1,658,844
Machinery and equipment	2,237,928	-	(140,400)	2,097,528
Total assets being depreciated	<u>130,537,587</u>	<u>-</u>	<u>(140,400)</u>	<u>130,397,187</u>
Less accumulated depreciation for:				
Buildings and building improvements	28,895,107	3,174,836	-	32,069,943
Site improvements	1,176,455	64,011	-	1,240,466
Machinery and equipment	1,770,584	105,828	(135,067)	1,741,345
Total accumulated depreciation	<u>31,842,146</u>	<u>3,344,675</u>	<u>(135,067)</u>	<u>35,051,754</u>
Total capital assets being depreciated, net	<u>98,695,441</u>	<u>(3,344,675)</u>	<u>(5,333)</u>	<u>95,345,433</u>
CAPITAL ASSETS, NET	<u>\$ 101,566,753</u>	<u>\$ 913,627</u>	<u>\$ (5,333)</u>	<u>\$ 102,475,047</u>

CHESTER COUNTY SCHOOL AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 5 - LONG-TERM LIABILITIES

The Authority issues revenue bonds to provide resources for major capital improvements. The bonds are direct obligations issued on the pledge of the full faith and credit of the Authority as well as an assignment of lease revenue. Bonds payable are as follows at June 30, 2023:

Revenue Bonds Payable - Series of 2018

The Series of 2018 Revenue Bonds were issued by the Chester County School Authority in July 2018. The revenue bonds were used to (1) repay in full the Promissory Note, Series of 2017; (2) finance renovations and improvements to the John K. Baillie Child and Career Development Center; (3) finance renovations and improvements to the Brandywine Campus of the Chester County Technical College High School; and (4) pay the costs of issuing the bonds. The revenue bonds bear interest ranging from 1.65% to 5.00%. The bonds are secured under a trust indenture dated as of the date of the related bond issue. The bonds are obligations of the Authority payable from lease rentals received from the Chester County Intermediate Unit and Chester County Technical College High School.

\$ 16,175,000

Revenue Bonds Payable - Series of 2020

The Series of 2020 Revenue Bonds were issued by the Chester County School Authority in April 2020. The revenue bonds were used to (1) currently refund the outstanding Revenue Bonds Payable - Series of 2010 and (2) pay the costs of issuing the bonds. The revenue bonds bear interest 3.5%. The bonds are secured under a trust indenture dated as of the date of the related bond issue. The bonds are obligations of the Authority payable from lease rentals received from the Chester County Intermediate Unit and Chester County Technical College High School. The Authority realized a savings of \$1,011,481 from the current refunding.

15,486,000

Revenue Bonds Payable - Series A of 2020

The Series A of 2020 Revenue Bonds were issued by the Chester County School Authority in July 2020. The revenue bonds were used to (1) currently refund the outstanding Revenue Bonds Payable - Series of 2015 and (2) pay the costs of issuing the bonds. The revenue bonds bear interest 2.04%. The bonds are secured under a trust indenture dated as of the date of the related bond issue. The bonds are obligations of the Authority payable from lease rentals received from the Chester County Intermediate Unit and Chester County Technical College High School. The Authority realized a savings of \$928,026 from the current refunding.

7,385,000

CHESTER COUNTY SCHOOL AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 5 - LONG-TERM LIABILITIES - CONTINUED

Revenue Bonds Payable - Series of 2022

The Series of 2022 Revenue Bonds were issued by the Chester County School Authority in July 2022. The revenue bonds were used to (1) currently refund the outstanding Revenue Bonds Payable - Series of 2014 and (2) pay the costs of issuing the bonds. The revenue bonds bear interest at 1.88%. The bonds are secured under a trust indenture dated as of the date of the related bond issue. The bonds are obligations of the Authority payable from lease rentals received from the Chester County Intermediate Unit and Chester County Technical College High School. The Authority realized a savings of \$180,673 from the current refunding.

	<u>9,395,000</u>
Total bonds payable	<u>\$ 48,441,000</u>

The future annual payments required to amortize all bonds payable for the years ending June 30 are as follows:

	Revenue Bonds Series of 2018	Revenue Bonds Series of 2020	Revenue Bonds Series of 2020A	Revenue Bonds Series of 2022	Total Principal	Total Interest
2024	\$ 1,180,000	\$ 1,070,000	\$ 550,000	\$ 3,070,000	\$ 5,870,000	\$ 1,595,440
2025	1,230,000	1,103,000	560,000	3,130,000	6,023,000	1,441,854
2026	1,275,000	1,140,000	575,000	3,195,000	6,185,000	1,283,781
2027	4,125,000	1,178,000	580,000	-	5,883,000	1,121,085
2028	4,280,000	1,221,000	595,000	-	6,096,000	907,523
2029 - 2033	4,085,000	6,747,000	3,165,000	-	13,997,000	1,792,778
2034 - 2035	-	3,027,000	1,360,000	-	4,387,000	201,525
	<u>\$ 16,175,000</u>	<u>\$ 15,486,000</u>	<u>\$ 7,385,000</u>	<u>\$ 9,395,000</u>	<u>\$ 48,441,000</u>	<u>\$ 8,343,986</u>

CHESTER COUNTY SCHOOL AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 5 - LONG-TERM LIABILITIES - CONTINUED

Long-term liability balance and activity for the year ended June 30, 2023, are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Bonds payable	\$ 53,329,000	\$ 12,290,000	\$ (17,178,000)	\$ 48,441,000	\$ 5,870,000
Premiums	1,680,381	-	(718,867)	961,514	-
Total long-term liabilities	<u>\$ 55,009,381</u>	<u>\$ 12,290,000</u>	<u>\$ (17,896,867)</u>	<u>\$ 49,402,514</u>	<u>\$ 5,870,000</u>

Events of Default

The Authority's revenue bonds contain a provision that in the event of default of non-payment of principal and interest, all amounts of unpaid principal and interest become due and payable immediately.

NOTE 6 - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs except for worker's compensation and unemployment compensation for which the Authority retains risk of loss. For insured programs, there were no significant reductions in insurance coverages for the 2022/2023 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

CHESTER COUNTY SCHOOL AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 7 - NEW ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued the following standards which have not yet been implemented:

- Statement No. 100, *Accounting Changes and Error Corrections - an Amendment of Statement No. 62* - The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.
- Statement No. 101, *Compensated Absences* - The primary objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

The Authority has not yet completed the analysis necessary to determine the actual financial statement impact of these new pronouncements.