

CHARLEROI AREA SCHOOL DISTRICT

Financial Statements

June 30, 2011

**Charleroi Area School District
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Independent Auditor Report

Members of the Board
Charleroi Area School District
Washington County, Pennsylvania

Dear Members:

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 Charleroi Area School District, Washington County, Pennsylvania as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Charleroi Area School District's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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 Charleroi Area School District, Washington County, Pennsylvania as of June 30, 2011, and the respective changes in financial position and cash flows where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2011, on our consideration of the 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* and should be considered in assessing the results of our audit.

Members of the Board
Charleroi Area School District

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Seals & DeMullion PC". The signature is written in a cursive, flowing style.

Certified Public Accountants
Charleroi, PA
December 20, 2011

CHARLEROI AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

As management of Charleroi Area School District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2011.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$567,468 (*net assets*). The District's total net assets decreased by \$ 98,149. This decrease is primarily attributable to the increased costs that were not supported by sales tax proceeds and other capital outlay revenues.
- Total revenues of \$20,731,032 were comprised of local revenues in the amount of \$7,306,861, or 35 percent, state sources of \$10,784,305 or 52 percent and federal revenues in the amount of \$2,639,866, or 13 percent.
- For the year ended June 30, 2011, the District had \$ 24,782,394 in expenses related to governmental activities. General revenues (primarily taxes and state funding programs) of \$20,731,032 were sufficient to provide for the District's programs.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$8,606,874, a decrease of \$4,051,362, in comparison with the prior year. Approximately 17% percent of the total amount, \$1,484,263, is available for spending at the District's discretion for the purposes defined for each governmental fund (unreserved fund balance). Of this available amount, \$7,122,611 has been designated for specific projects and activities by the School Board.
- At the end of the current fiscal year, unreserved net assets were \$1,530,287, or 6 percent of total general fund expenditures.
- The District's total long term debt for bonds, long term portion of compensated absences, other long term liabilities and OPEB liabilities, and capital leases increased by \$616,883, or 3 percent, during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements. The *government-wide financial statements* (or district-wide financial statements) are designed to provide a broad overview of the District's finances, in a manner similar to a private-sector business.

**CHARLEROI AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

The *statement of net assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* provides information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned by unused vacation and sick leave).

All of the District's activities and services are reported in the *government-wide financial statements*, including instruction, pupil support services, instructional support services, administrative support services, facility maintenance, transportation, and food services. Property taxes, state assistance, and interest and investment earnings finance most of these activities. Additionally, all capital and debt financing activities are reported here. The District currently does not report any business-type activities, which would include functions that are intended to recover all or a significant portion of their costs through user fees and charges.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**CHARLEROI AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

The District maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund and capital projects fund, which are considered to be major funds.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. The District maintains one type of proprietary fund – food service funds. *Food service funds* are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses food service funds to account for its food service programs, employee salaries and benefits and related costs and services.

The food service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the food service funds is provided in the form of *combining statements* elsewhere in this report.

Fiduciary funds. Fiduciary funds, which for the District consist solely of agency funds, are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is similar to that used for proprietary funds, except that agency funds do not report changes in fiduciary net assets, as agency fund assets should equal liabilities.

Notes to the financial statements. The notes provide additional information that is essential to fully understanding the data provide in the government-wide and fund financial statements.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the notes to the financial statements.

**CHARLEROI AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$567,468 at the close of the most recent fiscal year.

The largest portion of the District's net assets (48 percent) reflect its investment in existing capital assets (e.g., land, buildings, machinery, and equipment), net of accumulated depreciation and less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide educational and related services to its students; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. A large portion of the District's net assets (43 percent) reflects its restricted net assets for capital projects. The District will use these resources in a continuing effort to build the stadium complex and refurbish existing buildings and provide sufficient classroom space for the student population within the District.

**CHARLEROI AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

Summary of Net Assets

	June 30, 2010	June 30, 2011	Percentage Change
Current and Other Assets	\$ 14,987,202	\$ 12,753,168	-17.5%
Capital Assets	26,279,656	29,720,230	11.6%
Total Assets	41,266,858	42,473,398	2.8%
Long-Term Liabilities	37,367,160	36,750,277	-1.7%
Other Liabilities	3,234,081	5,155,653	37.3%
Total Liabilities	40,601,241	41,905,930	3.1%
Net Assets			
Invested in Capital Assets,			
Net of Related Debt	(12,540,260)	(8,085,430)	-55.1%
Restricted	11,482,037	7,122,611	-61.2%
Unrestricted	1,723,840	1,530,287	-12.6%
Total Net Assets	\$ 665,617	\$ 567,468	-17.3%

At the end of the current fiscal year, the District is able to report positive balances in two of the three categories of net assets. The District's net assets decreased in total by \$98,149 during the current fiscal year primarily as a result of the construction and renovation of school buildings.

**CHARLEROI AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

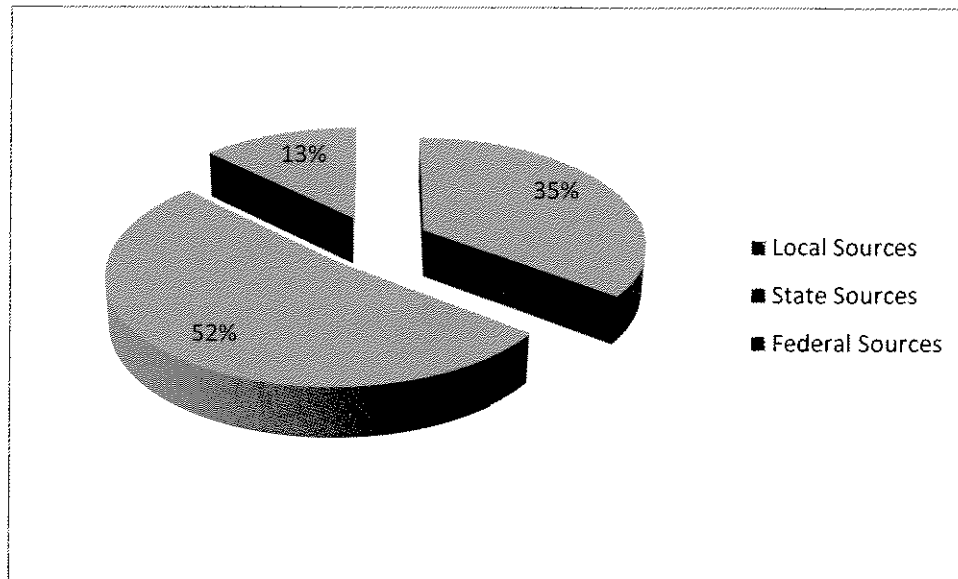
Summary of Changes in Fund Balance

		For the Fiscal Year Ended		Percentage
		June 30, 2010	June 30, 2011	Change
Revenues				
	Local Sources	7,503,859	7,306,861	-2.7%
	State Sources	10,610,517	10,784,305	1.6%
	Federal Sources	1,955,600	2,639,866	25.9%
	Total Revenues	20,069,976	20,731,032	3.2%
Expenses				
	Regular programs	8,117,062	8,705,305	6.8%
	Special programs	2,840,247	2,801,575	-1.4%
	Vocational programs	455,579	555,435	18.0%
	Other instructional	347,165	243,329	-42.7%
	Pupil personnel services	358,621	455,558	21.3%
	Instructional staff services	296,240	247,950	-19.5%
	Administrative services	1,286,135	1,156,963	-11.2%
	Pupil health	174,744	284,062	38.5%
	Business services	236,078	242,992	2.8%
	Operation of plant	3,620,671	5,868,581	38.3%
	Student transportation	1,535,039	1,194,698	-28.5%
	Central & other support	358,498	420,753	14.8%
	Student activities	333,816	302,109	-10.5%
	Community services	3,000	2,770	-8.3%
	Debt service	2,082,206	2,300,314	9.5%
	Total Expenses	22,045,101	24,782,394	11.0%
Other Financing Sources – Bond Proceeds		13,384,854	-	-
Fund Balance - Beginning		1,248,507	12,658,236	90.1%
Fund Balance - Ending		12,658,236	8,606,874	-47.1%

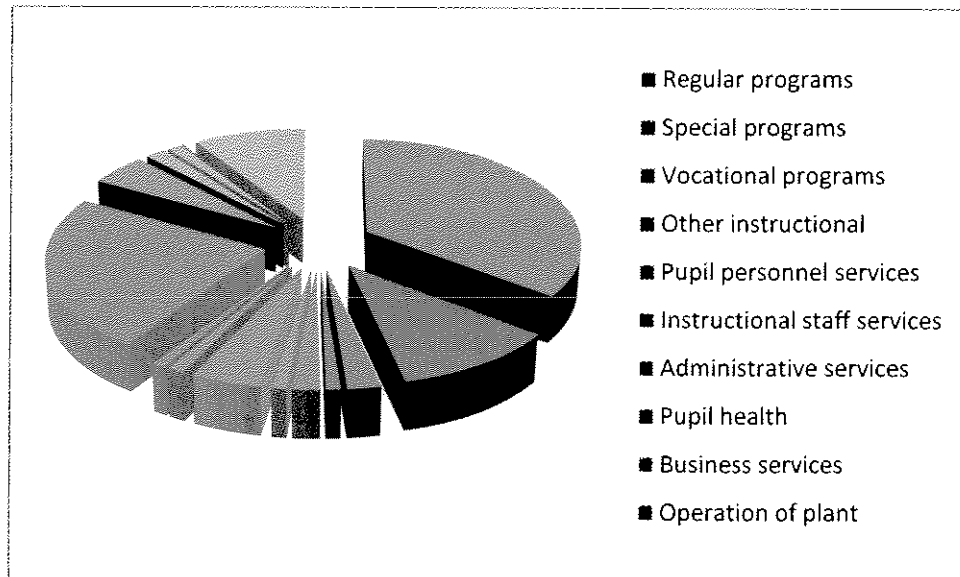
The District's fund balance decreased by \$4,051,362 during the current fiscal year. Key elements of the decrease are capital revenues utilized for the construction of stadium complex and renovation of schools.

**CHARLEROI AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

Revenues by Source – Statement of Activities



Expenses – Statement of Activities



**CHARLEROI AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements

Governmental Funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$8,606,874 , a decrease of \$ 4,051,362 in comparison with the prior year. Approximately 17 percent of this total amount (\$1,484,263) constitutes unreserved fund balances, which are available for spending at the government's discretion within the purpose of each fund. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed: to liquidate contracts and purchase orders outstanding at year-end to fund specific state categorical programs and to fund debt service.

The *General Fund* is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1,484,263, while total fund balance increased by \$318,779. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total expenditures.

The fund balance of the District's general fund increased by \$318,779 during the current fiscal year. Key factors in this increase are as follows:

- Prepayment of expenses

The Capital Projects Fund, which is used to account for capital project activity funded by bond issuance, has a total fund balance of \$7,122,611, all of which is reserved for specific capital projects. The net decrease in fund balance during the current year in the capital projects fund was \$4,357,116.

**CHARLEROI AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were minor and can be briefly summarized as follows:

- Appropriations were decreased by the State and Federal sources
- Expenditures were reduced by regular programs, administrative services, operation of plant and maintenance, and transportation services

The General Fund actual revenues fell behind the budgeted revenues by \$215,334. This shortage was attributable to supplemental funding at State and Local levels that is designated to fund identified programs. Approximately \$567,342 of this excess was attributable to collection of local taxes under the amount budgeted. State Sources were reduced by \$1,747,398, while Federal funding was increased by \$2,099,406. The General Fund actual expenditures were less than the budgeted appropriations by approximately \$501,911. As also noted above this was due to teaching positions remaining unfilled during the year as well as central office administrative positions.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets as of June 30, 2011, amounts to \$28,753,595 (net of accumulated depreciation). This investment in capital assets includes furniture, fixtures and equipment, motor vehicles, audio-visual materials, construction in progress and computer software. The total increase in the District's investment in capital assets (net of accumulated depreciation) for the current fiscal year was approximately 14 percent.

Major capital asset events during the current fiscal year included the following:

- Construction of the Sports Complex
- Renovations
- Elevator
- Purchase of two pick-up trucks
- Purchase of box truck

**CHARLEROI AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

**Summary of Capital Assets
(net of depreciation)**

	Governmental Activities	
	June 30, 2011	June 30, 2010
Land	\$ 637,195	\$ 637,195
Building and Building Improvements	\$ 23,070,236	\$ 23,506,472
Furniture and Equipment	\$ 806,410	\$ 1,111,346
Construction in Progress	\$ 4,239,754	\$ -
Total Capital Assets	<u>\$ 28,753,595</u>	<u>\$ 25,255,013</u>

Additional information on the District's capital assets can be found in the notes to the financial statements.

Long-term debt. At the end of the current fiscal year, the District had total long-term debt outstanding of \$36,750,277 , none of which is considered to be general "bonded debt" (i.e., backed by the full faith and credit of the District). The District's debt consisted of certificates of participation payable, state school bonds payable, and obligations under capital leases, which are secured by specific revenue sources or the underlying assets.

Summary of Outstanding Debt

	Governmental Activities	
	June 30, 2011	June 30, 2010
Bonds Payable	\$ 25,250,000	\$ 26,665,000
Authority Lease Obligations	4,318,920	4,458,920
Other Long Term Liabilities	5,715,105	5,222,540
LT Portion of Compensated Absences	200,770	93,611
Net OPEB Liability	<u>1,265,482</u>	<u>927,089</u>
Total Debt	<u>\$ 36,750,277</u>	<u>\$ 37,367,160</u>

**CHARLEROI AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

During the current fiscal year, the District's total long-term debt decreased by \$ 616,883 (2 percent). The key factor contributing to this decrease was repayment of debt requirement.

The District maintains an "A+" rating from the bond agencies for its certificates of participation.

Additional information on the District's long-term debt can be found in the notes to the financial statements.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Manager, Charleroi Area School District, 125 Fecsen Drive, Charleroi, PA, 15022.

Charleroi Area School District
Statement of Net Assets
June 30, 2011

Exhibit 1

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 9,949,511	\$ 232,112	\$ 10,181,623
Taxes Receivable (Net)	590,000		590,000
Due from Other Governments	1,554,917		1,554,917
Other Receivables		46,256	46,256
Inventories		9,065	9,065
Prepaid Expenses	371,307		371,307
Total Current Assets	<u>12,465,735</u>	<u>287,433</u>	<u>12,753,168</u>
Noncurrent Assets			
Land	637,195		637,195
Building and Building Improvements	23,070,236		23,070,236
Furniture and Equipment	806,410		806,410
Unamortized Bond Costs	910,135		910,135
Construction in Progress	4,239,754		4,239,754
Delinquent Real Estate Tax & Receivables	56,500		56,500
Total Noncurrent Assets	<u>29,720,230</u>	<u>0</u>	<u>29,720,230</u>
TOTAL ASSETS	<u>\$ 42,185,965</u>	<u>\$ 287,433</u>	<u>\$ 42,473,398</u>
LIABILITIES AND NET ASSETS			
Liabilities			
Current Liabilities			
Accounts Payable	\$ 2,260,140	\$ 9,294	\$ 2,269,434
Current Portion of Long-Term Debt	1,555,000		1,555,000
Accrued Salaries, Benefits, & Taxes	1,093,119		1,093,119
PR Deductions and Withholding	87,477		87,477
Internal Balances	(171,875)	171,875	0
Current Portion of Compensated Absences	45,000		45,000
Other Current Liabilities	105,623		105,623
Total Current Liabilities	<u>4,974,484</u>	<u>181,169</u>	<u>5,155,653</u>
Noncurrent Liabilities			
Bonds Payable	25,250,000		25,250,000
Authority Lease Obligations	4,318,920		4,318,920
Other Long-Term Liabilities	5,715,105		5,715,105
LT Portion of Compensated Absences	200,770		200,770
Net OPEB Liability- Note 10	1,265,482		1,265,482
Total Noncurrent Liabilities	<u>36,750,277</u>	<u>0</u>	<u>36,750,277</u>
Total Liabilities	<u>41,724,761</u>	<u>181,169</u>	<u>41,905,930</u>
Net Assets			
Invested in Capital assets (Net of Related Debt)	(8,085,430)		(8,085,430)
Restricted	7,122,611		7,122,611
Unrestricted	1,424,023	106,264	1,530,287
Total Net Assets	<u>461,204</u>	<u>106,264</u>	<u>567,468</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 42,185,965</u>	<u>\$ 287,433</u>	<u>\$ 42,473,398</u>

See Accompanying Notes

Charleroi Area School District
Statement of Activities
Year Ended June 30, 2011

Exhibit 2

Functions/Programs	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges For Services	Operating Grants and Contributions	Govern- mental Activities	Business- Type Activities
Governmental Activities					
Instruction	\$ 13,462,041	\$ -	\$ 4,378,153	\$(9,083,888)	\$ -
Instructional Student Support	1,035,230	-	40,898	(994,332)	-
Administrative and Financial Support Services	1,887,433	-	226,198	(1,661,235)	-
Operation and Maintenance of Plant Services	1,492,156	-	56,613	(1,435,543)	-
Pupil Transportation	1,163,546	-	623,845	(539,701)	-
Student Activities	323,891	-	19,257	(304,634)	-
Interest on Long-Term Debt	<u>1,490,697</u>	-	<u>829,197</u>	<u>(661,500)</u>	<u>-</u>
Total Governmental Activities	<u>20,854,994</u>	-	<u>6,174,161</u>	<u>(14,680,833)</u>	<u>-</u>
Business-Type Activities					
Food Service	<u>734,201</u>	<u>289,143</u>	<u>431,362</u>	<u>-</u>	<u>(13,696)</u>
Total Primary Government	<u>\$ 21,589,195</u>	<u>\$ 289,143</u>	<u>\$ 6,605,523</u>	<u>(14,680,833)</u>	<u>(13,696)</u>
General Revenues					
Property Taxes – General Levy				7,149,680	7,149,680
Grant Subsidies, Contributions & Other Taxes				7,250,010	7,250,010
Investment Earnings				110,908	110,908
Miscellaneous Income				<u>85,782</u>	<u>85,782</u>
Total General Revenues				<u>14,596,380</u>	<u>14,596,380</u>
Changes in Net Assets				(84,453)	(13,696)
Net Assets - July 1, 2010				<u>545,657</u>	<u>119,960</u>
Net Assets - June 30, 2011				<u>\$ 461,204</u>	<u>\$ 106,264</u>
					<u>\$ 567,468</u>

See Accompanying Notes

Charleroi Area School District
Balance Sheet
Governmental Funds
June 30, 2011

Exhibit 3

	General Fund	Capital Projects Fund	Non-Major Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 926,325	\$ 9,023,186	\$	\$ 9,949,511
Taxes Receivable	646,500			646,500
Due from Other Funds	171,875			171,875
State Revenue Receivables	653,928			653,928
Federal Revenue Receivables	900,989			900,989
Prepaid Expenses/Expenditures	<u>371,307</u>	<u> </u>	<u> </u>	<u>371,307</u>
TOTAL ASSETS	<u>\$ 3,670,924</u>	<u>\$ 9,023,186</u>	<u>\$ 0</u>	<u>\$ 12,694,110</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 359,565	\$ 1,900,575	\$	\$ 2,260,140
Accrued Salaries and Benefits	1,093,119			1,093,119
Payroll Deductions and Withholding	87,477			87,477
Deferred Revenues	<u>646,500</u>	<u> </u>	<u> </u>	<u>646,500</u>
Total Liabilities	<u>2,186,661</u>	<u>1,900,575</u>	<u>0</u>	<u>4,087,236</u>
Fund Balances				
Restricted		7,122,611		7,122,611
Unassigned	<u>1,484,263</u>	<u> </u>	<u> </u>	<u>1,484,263</u>
Total Fund Balances	<u>1,484,263</u>	<u>7,122,611</u>	<u>0</u>	<u>8,606,874</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,670,924</u>	<u>\$ 9,023,186</u>	<u>\$ 0</u>	<u>\$ 12,694,110</u>

See Accompanying Notes

Charleroi Area School District
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
Year Ended June 30, 2011

Exhibit 4

Total Fund Balances - Governmental Funds \$ 8,606,874

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

Capital Assets, net of depreciation of \$16,399,955 24,513,841

Construction in progress at year end 4,239,754

Inclusion of outstanding debt principal, capital
lease payable and accrued interest (36,944,648)

Compensated absences at year end (245,770)

Deferred real estate taxes receivable (net) at year end 646,500

Bond discount/issue costs, net of amortization of \$ 232,384 910,135

Net OPEB liability at year end (1,265,482)

Total Net Assets - Governmental Activities \$ 461,204

See Accompanying Notes

Charleroi Area School District
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2011

Exhibit 5

	General Fund	Capital Project Fund	Non-Major Funds	Total Governmental Funds
Revenues				
Local Sources	\$ 7,210,348	\$ 95,566	\$ 947	\$ 7,306,861
State Sources	10,784,305			10,784,305
Federal Sources	<u>2,639,866</u>	<u></u>	<u></u>	<u>2,639,866</u>
Total Revenues	<u>20,634,519</u>	<u>95,566</u>	<u>947</u>	<u>20,731,032</u>
Expenditures				
Regular programs	8,705,305			8,705,305
Special programs	2,801,575			2,801,575
Vocational programs	555,435			555,435
Other instructional	243,329			243,329
Pupil personnel services	455,558			455,558
Instructional staff services	247,950			247,950
Administrative services	1,156,963			1,156,963
Pupil health	284,062			284,062
Business services	242,992			242,992
Operation of plant	1,413,769	4,452,682	2,130	5,868,581
Student transportation	1,194,698			1,194,698
Central & other support	420,753			420,753
Student activities	302,109			302,109
Community Service	2,770			2,770
Debt service	2,300,314			2,300,314
Interfund transfers	<u>0</u>	<u></u>	<u></u>	<u>0</u>
Total Expenditures	<u>20,327,582</u>	<u>4,452,682</u>	<u>2,130</u>	<u>24,782,394</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>306,937</u>	<u>(4,357,116)</u>	<u>(1,183)</u>	<u>(4,051,362)</u>
Other Financing Sources (Uses)				
Interfund transfer	<u>11,842</u>	<u>0</u>	<u>(11,842)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>11,842</u>	<u>0</u>	<u>(11,842)</u>	<u>0</u>
Net Change in Fund Balances	318,779	(4,357,116)	(13,025)	(4,051,362)
Fund Balances - July 1, 2010	<u>1,165,484</u>	<u>11,479,727</u>	<u>13,025</u>	<u>12,658,236</u>
Fund Balances - June 30, 2011	<u>\$ 1,484,263</u>	<u>\$ 7,122,611</u>	<u>\$ 0</u>	<u>\$ 8,606,874</u>

See Accompanying Notes

Charleroi 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, 2011

Exhibit 6

Total Net Change in Fund Balances - Governmental Funds	\$(4,051,362)
--	----------------

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

Payments of debt service principal for current year	1,370,000
Payment for capital lease payable principal	78,813
Inclusion of accrued interest payable on authority obligations and bonds payable	(501,926)
Current acquisition costs of non-current fixed assets	4,451,794
Depreciation expense for current year	(953,212)
Amortization expense of bond costs for current year	(65,508)
Net increase in compensated absences for current year	(122,159)
Net increase in delinquent taxes receivable	47,500
Net increase in OPEB liability at year end	(338,393)

Change in Net Assets - Governmental Activities	<u><u>\$ (84,453)</u></u>
--	----------------------------

Charleroi Area School District
Statement of Net Assets
Proprietary Fund
June 30, 2011

Exhibit 7

Food Service
Fund

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 232,112
Due from Other Governments	0
Other Receivables	46,256
Interfund receivable	0
Inventories	<u>9,065</u>

Total Current Assets 287,433

Fixed Assets, net of accumulated depreciation 0

TOTAL ASSETS \$ 287,433

LIABILITIES AND NET ASSETS

Liabilities

Current Liabilities

Accounts Payable	\$ 9,294
Interfund Payable	<u>171,875</u>

Total Current Liabilities 181,169

Net Assets

Unrestricted 106,264

Total Net Assets 106,264

TOTAL LIABILITIES AND NET ASSETS \$ 287,433

See Accompanying Notes

Charleroi Area School District
Statement of Revenues, Expenses and Changes
in Fund Net Assets
Proprietary Fund
Year Ended June 30, 2011

Exhibit 8

	Food Service <u>Fund</u>
Operating Revenues	
Food Service Revenue	\$ 289,143
Operating Expenses	
Salaries	190,005
Employee Benefits	69,616
Supplies	7,191
Other	180
Food Costs	318,349
Other Purchased Services, etc	<u>148,860</u>
Total Operating Expenditures	<u>734,201</u>
Operating Income (Loss)	(445,058)
Nonoperating Revenues (Expenses)	
State Sources	30,111
Federal Sources	401,156
Earnings on Investments	<u>95</u>
Total Nonoperating Revenues (Expenses)	<u>431,362</u>
Change in Net Assets	(13,696)
Total Net Assets - July 1, 2010	<u>119,960</u>
Total Net Assets - June 30, 2011	<u>\$ 106,264</u>

See Accompanying Notes

Charleroi Area School District
Statement of Cash Flows
Proprietary Fund Type
Year Ended June 30, 2011

Exhibit 9

Food Service
Fund

Cash Flows from Operating Activities	
Cash Received from Users and Other Receipts	\$ 289,143
Cash Payments to Employees for Services	(190,005)
Cash Payments to Suppliers for Goods and Services	<u>(549,650)</u>
 Net Cash Used for Operating Activities	 <u>(450,512)</u>
Cash Flows from Non-Capital Financing Activities	
State Sources	30,111
Federal Sources	<u>401,156</u>
 Net Cash Provided by Non-Capital Financing Activities	 <u>431,267</u>
Cash Flows from Investing Activities	
Earnings on Investments	95
Loans Received from General Fund - net	<u>223,431</u>
 Net Cash Provided by Investing Activities	 <u>223,526</u>
 Net Change in Cash and Cash Flows	 204,281
 Cash and Cash Equivalents - Beginning of Year	 <u>27,831</u>
 Cash and Cash Equivalents - End of Year	 <u>\$ 232,112</u>
 Operating Income (Loss)	 \$(445,058)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used for Operating Activities	
(Increase) Decrease in Inventories/accounts receivable	3,492
Increase (Decrease) in Accounts Payable	<u>(8,946)</u>
 Total Adjustments	 <u>(5,454)</u>
 Cash Used for Operating Activities	 <u>\$(450,512)</u>

Noncash Investing, Capital and Financing Activities:

During the year ended June 30, 2011, the School District received
\$32,672 of U.S.D.A. Donated Commodities in the food service fund.

See Accompanying Notes

Charleroi Area School District
Statement of Net Assets & Changes In Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

Exhibit 10

	<u>Activity Funds</u>
ASSETS	
Cash and Equivalents	\$ 78,139
	<hr/>
TOTAL ASSETS	<u>\$ 78,139</u>
 LIABILITIES AND NET ASSETS	
Liabilities	
Other Current Liabilities	\$ 78,139
Net Assets	
Restricted	<hr/> 0
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 78,139</u>
 FIDUCIARY NEW ASSETS, BEGINNING OF YEAR	\$ 82,436
LESS: REDUCTION IN NET ASSETS, CURRENT YEAR	<u>(4,297)</u>
FIDUCIARY NET ASSETS, END OF YEAR	<u>\$ 78,139</u>

See Accompanying Notes

Charleroi Area School District
Notes to Financial Statements
June 30, 2011

Note 1 - Summary of Significant Accounting Policies

Charleroi Area School District, located in Washington County, Pennsylvania, provides public education, kindergarten through twelfth grade, to the residents of Charleroi, Pennsylvania.

The School District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the School District has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the School District has chosen not to do so. The more significant accounting policies in GAAP and used by the School District are discussed below.

The following is a summary of the more significant policies:

A. Financial Reporting Entity

In evaluating how to define a government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles (GAAP) and more specifically, the provisions of Governmental Accounting Standards Board (GASB) Statement 14, "The Financial Reporting Entity". The following summarizes the guidance provided by GASB in determining the governmental activities, organizations, functions and component units that should be included in the governing entity's financial statements. The criterion for inclusion of a component unit is if the primary government is financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. Based upon the application of these criteria, it has been determined that the School District (the primary government) has no potential component units to be included in its financial reporting entity.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the School District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and (2) grants and contributions that are restricted to

Charleroi Area School District
Notes to Financial Statements
June 30, 2011

Note 1 - Summary of Significant Accounting Policies (Cont'd)

B. Government-Wide and Fund Financial Statements (Cont'd)

meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes, net of any uncollectible amounts, are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. 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 period, the government considers revenues to be available if they are collected within 60 days or less of the end of the current fiscal period. Property taxes levied but collected beyond 60 days after year end are recorded as deferred revenue to be recognized as revenue when the taxes are collected. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, intergovernmental revenues, investment income, rent and certain miscellaneous revenues associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. In applying the susceptible to accrual concept to intergovernmental revenues (state and federal sources), the legal and contractual requirements of the individual programs are used as guidance. There are however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the School District; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure. All other revenue items are considered to be measurable and available only when cash is received by the government.

The School District reports the following major governmental funds:

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

The *capital projects fund* accounts for the resources accumulated and payments made for capital related transactions including acquisition, construction or improvement of major capital facilities.

Charleroi Area School District
Notes to Financial Statements
June 30, 2011

Note 1 - Summary of Significant Accounting Policies (Cont'd)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)

The School District reports the following non-major governmental funds:

The *capital reserve fund* accounts and student athletic fund accounts.

The *fiduciary fund accounts* include the elementary, middle and high school student activities funds.

The School District reports the following proprietary fund:

The *food service fund* accounts for the revenues, food purchases, and other costs and expenses providing meals to students and/or faculty during the school year.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payment-in-lieu of taxes and other charges between various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the School District's enterprise fund are charges to customers for sales of food. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Cash and Cash Equivalents

The School District's policy is to maintain cash balances in interest-bearing accounts such as money market or flex funds. The market values of the funds approximate cost. For purposes of the statement of cash flows, the proprietary fund considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Charleroi Area School District
Notes to Financial Statements
June 30, 2011

Note 1 - Summary of Significant Accounting Policies (Cont'd)

E. Budgets

The School Board approves, prior to the beginning of each year, an annual budget on the modified accrual basis of accounting for the general fund. This is the only fund for which a budget is required and for which taxes may be levied. The general fund is the only fund that has an annual budget that has been legally adopted by the School Board. The Public School Code allows the School Board to authorize budget transfer amendments during the year, but only during the last nine months of the fiscal year.

The final budget data reflected in the financial statements includes the effect of approved budget transfer amendments and, for comparative purposes, the actual amounts have also been presented. The School District expenditures may not legally exceed the revised budget amounts by function. Function is defined as a program area such as instructional services and object is defined as a nature of the expenditure, such as salaries or supplies. Amendments require Board approval.

All appropriations lapse at the end of each fiscal year (June 30).

F. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

G. Inventories

On government-wide financial statements, inventories are presented at a lower of cost or market on a first-in, first-out basis, and are expensed when consumed.

H. Prepaid Expenses

In both the government-wide and fund financial statements, prepaid expenses are recorded as assets in the specific governmental fund in which future benefits will be derived.

I. Capital Assets

Capital assets, which include property, plant, equipment and land improvements are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of more than \$4,000 and an estimated useful life in excess of one year. In addition, capital assets purchased with long-term debt may be

Charleroi Area School District
Notes to Financial Statements
June 30, 2011

Note 1 - Summary of Significant Accounting Policies (Cont'd)

I. Capital Assets (Cont'd)

capitalized regardless of the thresholds established. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market 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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

The District does not possess any material amounts of infrastructure capital assets, such as sidewalks and parking lots. Such items are considered to be part of the cost of buildings, etc.

All reported capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	40 - 50
Building Improvements	20 - 30
Land Improvements	20
Furniture	20
Vehicles	8
Equipment	5 - 15
Computers	5

J. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net assets.

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 while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as service expenditures.

Charleroi Area School District
Notes to Financial Statements
June 30, 2011

Note 1 - Summary of Significant Accounting Policies (Cont'd)

K. Compensated Absences

The School District's policies regarding vacation time under various contracts, provide for employees to accumulate sick days which they are paid for upon retirement or termination of service. The amount the employee is compensated and the number of days varies based on their contract and their years of service. The liability for these compensated absences is recorded as current and noncurrent liabilities in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, which the proprietary funds report the liability as it is incurred.

L. Investments

Investments, if any, are stated at fair value except that treasury and agency obligations that have a remaining maturity at the time of purchase of one year or less are shown at amortized cost. Fair value is based on quoted market prices. Funds are invested pursuant to the Public School Code of 1949 and investment policy guidelines established by the School District and approved by the Members of the Board. The School Code states that authorized types of investments shall be: United States Treasury Bills; short-term obligations of the United States Government or its agencies or instrumentalities; deposits in savings accounts, time deposits or share accounts of institutions insured by the FDIC; obligations of the United States or any of its agencies or instrumentalities backed by the full faith and credit of the United States and the Commonwealth of Pennsylvania.

M. Net Assets

Beginning with the year ended June 30, 2011, the School District has 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 School District's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance-amounts that are not in spendable form (such as inventory) or are required to be maintained intact.

Restricted fund balance-amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher level of government), through constitutional provisions, or by enabling legislation.

Committed fund balance-amounts constrained to specific purposes by the School District itself, using its highest level of decision-making authority (the Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the School District takes the same highest level action to remove or change the constraint

Assigned fund balance-amounts the School District intends to use for a specific purpose. Intent can be expressed by the Board of Directors or by an official or body to which the Board of Directors delegates the authority.

Charleroi Area School District
Notes to Financial Statements
June 30, 2011

Note 1 - Summary of Significant Accounting Policies (Cont'd)

M. Net Assets – continued

Unassigned fund balance-amounts available for any purpose. Positive amounts are reported only in the General Fund.

Beginning fund balances for the School District's governmental funds have been restated to reflect the above classifications.

The Board of Directors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget.

Note 2 - Deposits and Investments

The deposit policy of the School District adheres to state statutes and prudent business practice. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the School District.

At year-end the carrying amount of the District's deposits was \$10,181,623 while the balance on the bank records was approximately \$11,000,000.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in an event of a bank failure, the government's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. Deposits in excess of amounts covered by the Federal Deposit Insurance Corporation are collateralized in accordance with Act 72 of 1971 of the Pennsylvania State Legislature which requires the institution to pool collateral for all governments and have the collateral held by an approved custodian in the institution's name.

Interest Rate Risk - The School District does not 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.

Credit Risks - The Pennsylvania Public School Code authorizes the types of investments allowed. These are described in Note 1L. The School District has no investment policy that would further limit its investment choices. The School District's investments in Pennsylvania School District Liquid Asset Fund (PSDLAF) and PA Invest Funds were rated AAAm by Standard & Poors.

Concentration of Credit Risk - The School District places no limit on the amount it may invest in any one issue.

Investments

The Pennsylvania School District Liquid Asset Fund (PSDLAF) was established as a common law trust, organized under laws of the Commonwealth of Pennsylvania. Shares of the fund are offered to certain Pennsylvania school districts, intermediate units, area vocational-technical schools and municipalities. The

Charleroi Area School District
Notes to Financial Statements
June 30, 2011

Note 2 - Deposits and Investments (Cont'd)

purpose of the fund is to enable such governmental units to pool their available funds for investments authorized by Section 440.1 of the Pennsylvania Public School Code of 1949, as amended. These funds have the characteristics of open-end mutual funds and are not subject to credit risk classification.

PSDLAF is governed by an elected board of trustees who are responsible for the overall management of the fund. The trustees are elected from the several classes of local governments participating in the fund. The fund is audited annually by independent auditors. The fund operates in a manner consistent with the SEC's Rule 2(a)7 of the Investment Company Act of 1940. The fund uses amortized cost to report net assets to compute share prices. The fund maintains net asset value of \$1 per share.

Note 3 - Real Estate Taxes

The municipal tax collectors bill and collect real estate taxes on behalf of the School District based upon assessed values provided by the County. The School District's tax rate for all purposes in 2010/2011 was 125 mills. The tax calendar for real estate taxes levied for 2010/2011 is as follows:

Tax Levy Date	July 1
2% Discount Period	Through August 31
Face Payment Period	September 1 - October 31
10% Penalty Period	November 1 Until Liened
Lien Filing Date	January 1

The amounts shown as delinquent real estate taxes receivable have not been recorded as revenue on the fund statements. These taxes are, however, recorded as deferred revenue on the balance sheet until they are received. The amounts reported for this receivable are reported on the balance sheet in the amount of \$646,500.

Note 4 - Interfund Balances

Interfund balances at year end were:

	Interfund Receivable	Interfund Payable
General Fund	\$	\$ 171,875
Food Service Fund	<u>171,875</u>	<u> </u>
	<u>\$ 171,875</u>	<u>\$ 171,875</u>

Charleroi Area School District
Notes to Financial Statements
June 30, 2011

Note 5 - Public School Employees' Retirement System (PSERS)

The Government Accounting Standards Boards (GASB) requires that state and local governmental employers disclose in their notes to financial statements, certain information about the public employee retirement systems to which they contribute. The Public School Employees' Retirement System (PSERS) is providing the following information in accordance with GASB to assist the employers in the preparation of their annual financial statements.

Plan Description

Name of plan: Public School Employees' Retirement System (the System)

Type of plan: Governmental cost sharing multiple-employer defined benefit plan

Benefits: Retirement and disability, legislatively mandated *ad hoc* cost-of-living adjustments, healthcare insurance premium assistance to qualifying annuitants.

Authority: The Public School Employees Retirement Code (Act No. 96 of October 2, 1975, as amended) (24Pa. C. S. 8101-8535)

Annual Financial Report: The System issues a comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Diane J. Wert, Office of Financial Management, Public School Employees' Retirement System, PO Box 125, Harrisburg, PA 17108-0125. The CAFR is also available on the PSERS website at www.psers.state.pa.us/publications/cafr/index/htm.

Funding Policy

Authority: The contribution policy is established in the Public School Employees' Retirement Code and requires contributions by active members, employers, and the Commonwealth.

Contribution rates:

Member Contributions -

Active members who joined the System prior to July 22, 1983, contribute at 5.25 percent (Membership Class TC) or at 6.50 percent (Membership Class TD) 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 percent (Membership Class TC) or at 7.50 percent (Membership Class TD) of the member's qualifying compensation.

Members who joined the System after June 30, 2001, contribute at 7.50 percent (automatic Membership Class TD). For all new hires and for members who elected Class TD membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Charleroi Area School District
Notes to Financial Statements
June 30, 2011

Note 5 - Public School Employees' Retirement System (PSERS) (Cont'd)

Employer Contributions - Contributions required of employers are based upon an actuarial valuation. For fiscal year ended June 30, 2011, the rate of employer's contribution was 5.64 percent of covered payroll. The 5.64 percent rate is composed of a pension contribution rate of 5.00 percent for pension benefits and 0.64 percent for healthcare insurance premium assistance.

Note 6 - Long-Term Debt

Long-term liability activity for the current year is provided below.

	<u>Original Issue Amount</u>	<u>Balance 6/30/10</u>	<u>Issued Current Year</u>	<u>Retired Current Year</u>	<u>Balance 6/30/11</u>
GOB Refunding Series of 2009	\$ 13,950,000	13,950,000	0	0	13,950,000
GOB Refunding Series of 2009	4,530,000	<u>4,525,000</u>	<u>0</u>	<u>995,000</u>	<u>3,530,000</u>
		<u>\$ 18,475,000</u>	<u>\$ 0</u>	<u>\$ 995,000</u>	<u>\$ 17,480,000</u>

Authority Bond Obligations

Refunding Series of 2008	9,750,000	9,425,000	0	240,000	9,185,000
Refunding Series of 99B	1,985,000	425,000	0	135,000	290,000
Guaranteed Revenue Bonds Series 99C	4,168,920	<u>4,168,920</u>	<u>0</u>	<u>0</u>	<u>4,168,920</u>
		<u>\$ 14,018,920</u>	<u>\$ 0</u>	<u>\$ 375,000</u>	<u>\$ 13,643,920</u>
		<u>\$ 32,493,920</u>	<u>\$ 0</u>	<u>\$ 1,370,000</u>	<u>\$ 31,123,920</u>
Current Long-term					\$ 1,555,000
					<u>29,568,920</u>
					<u>\$ 31,123,920</u>

Charleroi Area School District
Notes to Financial Statements
June 30, 2011

Note 6 - Long-Term Debt (Cont'd)

General obligation school building bonds payable at the end of the current year, with their outstanding balance are comprised of the individual issues presented below.

Refunding Series of 2008, \$9,750,000, due serially through September 2017, interest semiannually from 2.-% to 3.6%.	\$ 9,185,000
Refunding Series of 99B, \$1,985,000, due serially through October 2012, interest due semiannually from 3.75% to 5.55%.	290,000
Guaranteed Revenue Bonds Series 99C, \$4,168,920, zero coupon bonds due October 2024.	4,168,920
GOB Refunding Series A of 2009, \$13,950,000, due serially through November 2033, interest due semiannually from 5% to 6%.	13,950,000
GOB Refunding Series B of 2009, \$4,530,000, due serially through November 2013, interest due semiannually from .75% to 1.5%.	<u>3,530,000</u>
	<u>\$ 31,123,920</u>

The annual requirements to amortize all debt outstanding of \$31,123,920 are provided below:

Year Ended <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 1,555,000	\$ 2,229,585	\$ 3,784,585
2013	1,575,000	2,219,586	3,794,586
2014	1,730,000	2,063,738	3,793,738
2015	1,965,000	1,282,816	3,247,816
2016	2,030,000	1,217,122	3,247,122
After	<u>22,268,920</u>	<u>30,300,319</u>	<u>52,569,239</u>
Total	<u>\$ 31,123,920</u>	<u>\$ 39,313,166</u>	<u>\$ 70,437,086</u>

On December 3, 2009 the District issued Series A of 2009 and Series B of 2009 General Obligation Bonds in the amounts of \$4,530,000.00 and \$13,950,000.00, respectively. The proceeds of Series A of 2009 GOB was used to refund the 2002 Refunding Series GOB in its entirety effectuated by a transfer to a 2002 sinking fund account in the approximate amount of \$4,464,000.00.

Charleroi Area School District
Notes to Financial Statements
June 30, 2011

Note 7 - Capital Assets

Capital asset activity for the governmental and business type activities for the current year is as follows:

	<u>Balance</u> <u>7/1/10</u>	<u>Additions</u>	<u>Balance</u> <u>6/30/11</u>
Land	\$ 637,195	\$ 0	\$ 637,195
Building & improvements	37,087,599	212,040	37,299,639
Furniture & equipment	<u>3,102,637</u>	<u>0</u>	<u>3,102,637</u>
	<u>\$ 40,827,431</u>	<u>\$ 212,040</u>	<u>\$ 41,039,471</u>
Less Accumulated Depreciation:			
Building & improvements	\$ 13,393,720	\$ 835,683	\$ 14,229,403
Furniture & equipment	<u>2,178,698</u>	<u>117,529</u>	<u>2,296,227</u>
	<u>\$ 15,572,418</u>	<u>\$ 953,212</u>	<u>\$ 16,525,630</u>
Capital Assets (net)	<u>\$ 25,255,013</u>	<u>\$ (741,172)</u>	<u>\$ 24,513,841</u>
Construction in Progress	<u>\$ 0</u>	<u>\$ 4,239,754</u>	<u>\$ 4,239,754</u>

The business-type capital activities included above follows below. There were no business-type additions or deletions during the current year.

Furniture & equipment, at cost	\$ 125,675
Accumulated depreciation	<u>(125,675)</u>
Net Book Value	<u>\$ 0</u>

Depreciation expense was charged to functions/programs as follows:

Instruction	\$ 610,055
Instructional Student Support	114,385
Administration & Financial Support	85,789
Operation & Maintenance of Plant, etc.	76,257
Student Activities	<u>66,726</u>
Total Depreciation Expense	<u>\$ 953,212</u>

Charleroi Area School District
Notes to Financial Statements
June 30, 2011

Note 8 - Contingent Liabilities

The School District participates in a number of federally assisted grant programs, principal of which are Title I and National School Lunch Program. The programs are subject to program compliance audits by the grantors or their representatives. The audits of some of these programs for and including the current year have not yet been conducted. Accordingly, the School District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the School District expects such amounts, if any, to be immaterial.

Note 9 - Capital Lease Payable

On July 22, 2008 the District entered into a lease purchase agreement for three school busses costing \$235,737 through capital leasing arrangements in the general fund. Interest is provided at 4.08% annually. At the end of the current year, the cost and accumulated depreciation of these busses are \$235,737 and \$68,757 respectively.

Capital lease activity for the current year is as follows:

	<u>Beginning Balance</u>	<u>Reduction</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Capital Lease Payable	\$ 78,813	\$ 78,813	\$ 0	\$ 0

The future minimum lease obligation relating to the three school busses is as follows:

Year ending June 30, 2012	\$ 0
Amount representing interest	<u>0</u>
Present value of minimum lease payments	<u>\$ 0</u>

Note 10 - Other Post-Employment Benefits Plan

A. Plan Description

The District provides post-employment insurance benefits to certain eligible employees through the Charleroi Area School District Other Post-Employment Benefits Plan, a single-employer defined benefit plan administered by the District. All post-employment benefits are based on contractual agreements with employee groups. Eligibility for these benefits is based on years of service and/or minimum age requirements. These contractual agreements do not include any specific contribution or funding requirements.

Charleroi Area School District
Notes to Financial Statements
June 30, 2011

Note 10 - Other Post-Employment Benefits Plan (Cont'd)

Teacher Eligibility Requirements

Teachers retiring previous to their 65th birthday shall have the right to remain in the group health plan at no cost to the District, until they attain the age of 65.

In the 2010-2014 Contract, there was an early retirement incentive plan with the following terms and conditions:

- a) An employee must have thirty (30) years of service credit in the Public School Employees' Retirement System of which fifteen (15) years of service must be in the Charleroi Area School District or as a member of the Intermediate Unit who transferred during the "Transfer of Entities".
- b) A first time eligible employee will be paid \$12,000 at the time of retirement. Hospitalization insurance will be paid at the coverage in effect at the time of retirement until the age of sixty-five (65). The retiree will pay any increase in the premium after retirement.

Act 93 Administrators Eligibility Requirements

Act 93 administrators and support personnel retiring prior to being Medicare eligible shall have the right to remain in the medical insurance group, at no cost to the District, until such time as they become eligible for Medicare benefits.

Any administrator who has thirty (30) years in the Public School Employees Retirement System of which fifteen (15) years must be in the Charleroi Area School District may elect to retire and be entitled to the following:

Commencing on the administrator's retirement date, the District will pay the employee a monthly dollar amount equal to the monthly cost of the employee's health insurance premium as paid by the District in the 12 month period leading up to the employee's retirement. The District will make these payments for five (5) years immediately following retirement. The District is only obligated to make these payments if the retiree is not covered under another medical or hospitalization insurance plan.

B. Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to pre-fund benefits as determined annually by the District.

Charleroi Area School District
Notes to Financial Statements
June 30, 2011

Note 10 - Other Post-Employment Benefits Plan (Cont'd)

C. Annual OPEB Cost and Net OPEB Obligation (Cont'd)

The District's annual OPEB cost (expense) is calculated based on annual required contributions (ARC) of the District, an amount determined on an actuarially determined basis in accordance with the parameters of GASB Statement Nos. 43 and 45. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the District's net OPEB obligation to the plan:

Annual required contribution	<u>\$ 709,277</u>
Annual OPEB cost (expense)	709,277
Contributions made etc.	<u>(370,884)</u>
Increase in net OPEB obligation	338,393
Net OPEB obligation - beginning of year	<u>927,089</u>
Net OPEB obligation - end of year	<u>\$1,265,482</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the year are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2009	\$ 814,087	\$ 335,444	41.2%	\$ 478,643
June 30, 2010	\$ 814,087	\$ 365,641	44.9%	\$ 448,446
June 30, 2011	\$ 709,277	\$ 370,884	52.3%	\$ 338,393

D. Funded Status and Funding Progress

As of July 1, 2010, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits as \$8,350,093, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$8,350,093.

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

Charleroi Area School District
Notes to Financial Statements
June 30, 2011

E. Actuarial Methods and Assumptions

A summary of the actuarial assumptions used in the valuation is presented below:

Investment Return - The assumed rates used to discount obligations are as follows:

1. Non-Funded	4.000%
---------------	--------

Salary Scale - None assumed

Retirement Rates - Teachers and administrators were assumed to retire immediately upon attainment of 30 years of service.

Termination - Sarason T-3.

Pre-retirement Mortality - RP-2000 Healthy Annuitant Mortality Table for males and females.

Post-retirement Mortality - RP-2000 Healthy Annuitant Mortality Table for males and females.

Rates of Disablement - Rates of disablement were not assumed.

Post-Disablement Mortality - Post-disablement mortality was not assumed in the valuation.

Administrative Expenses - None assumed.

Percent Married - 90% of future retirees were assumed to be married.

Age of Spouse - Female spouses were assumed to be 3 years younger than their male husbands.

Medical inflation - 9% in the first year gradually decreasing by 1% per year, to an ultimate rate of 5%.

ACTUARIAL METHODS

Valuation of Obligations - The Entry Age Normal Method was used.

Valuation of Assets - Market value of assets was used.

Note 11 – Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Charleroi Area School District
Statement of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2011

Exhibit 11

	Budgeted Amounts		Actual	Variance With
	Original	Final	(Budgetary)	Final Budget
			Basis)	Positive
				(Negative)
REVENUES				
Local Sources	\$ 7,777,690	\$ 7,777,690	\$ 7,210,348	\$(567,342)
State Sources	12,531,703	12,531,703	10,784,305	(1,747,398)
Federal Sources	<u>540,460</u>	<u>540,460</u>	<u>2,639,866</u>	<u>2,099,406</u>
TOTAL REVENUES	\$20,849,853	\$20,849,853	\$20,634,519	\$(215,334)
EXPENDITURES				
Regular Programs	8,911,229	8,911,229	8,705,305	205,924
Special Programs	2,870,083	2,870,083	2,801,575	68,508
Vocational Programs	555,500	555,500	555,435	65
Other Instructional Programs	183,018	183,018	243,329	(60,311)
Pupil Personnel Services	478,579	478,579	455,558	23,021
Instructional Staff Services	316,277	316,277	247,950	68,327
Administrative Services	1,360,100	1,360,100	1,156,963	203,137
Pupil Health	181,772	181,772	284,062	(102,290)
Business Services	259,860	259,860	242,992	16,868
Operation and Maintenance of				
Plant Services	1,588,714	1,588,714	1,413,769	174,945
Student Transportation Services	1,294,039	1,294,039	1,194,698	99,341
Central & Other Support Services	403,511	403,511	420,753	(17,242)
Student Activities	339,471	339,471	302,109	37,362
Community Services	3,000	3,000	2,770	230
Debt Service (Principal & Interest)	2,084,340	2,084,340	2,300,314	(215,974)
Interfund Transfers	<u> </u>	<u> </u>	<u>0</u>	<u>0</u>
TOTAL EXPENDITURES	<u>20,829,493</u>	<u>20,829,493</u>	<u>20,327,582</u>	<u>501,911</u>
EXCESS (DEFICIENCY) OF REVENUES				
OVER EXPENDITURES	20,360	0	306,937	286,577
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>0</u>	<u>0</u>	<u>11,842</u>	<u>11,842</u>
TOTAL OTHER FINANCING				
SOURCES (USES)	<u>0</u>	<u>0</u>	<u>11,842</u>	<u>11,842</u>
NET CHANGE IN FUND BALANCES	\$ 20,360	\$ 0	\$ 318,779	\$ 298,419
FUND BALANCE – BEGINNING OF YEAR			1,165,484	
			<u> </u>	
FUND BALANCE - END OF YEAR			<u>\$ 1,484,263</u>	

See Accompanying Notes

SEALS & DEMILLION, P. C.
CERTIFIED PUBLIC ACCOUNTANTS
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CHARLEROI, PENNSYLVANIA 15022

THOMAS M. DEMILLION, C. P. A.

724 483-3522
FAX 724 483-3663

Members of the Board
Charleroi Area School District
Washington County, Pennsylvania

Dear Members:

The reports contained in this single audit section are required in addition to the financial statements. The various reports for Charleroi Area School District for the period ended June 30, 2011 were prepared to fulfill the requirements of the Office of Management and Budget's Circular A-133. A summary of the reports are as follows:

- A. Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
- B. Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133
- C. Schedule of Findings and Questioned Costs
- D. Schedule of Expenditures of Federal Awards
- E. Management Letter (Issued Under Separate Cover)
- F. List of Report Distribution

Respectfully submitted,



Certified Public Accountants
December 20, 2011

**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***

Members of the Board
Charleroi Area School District
Washington County, Pennsylvania

Dear Members

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charleroi Area School District, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 20, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Members of the Board
Charleroi Area School District
Exhibit A
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants 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*.

We noted certain matters that we reported to management of the District in a separate letter dated December 21, 2011.

This report is intended solely for the information and use of the District and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in cursive script that reads "Seals & DeMullion PC".

Certified Public Accountants
December 20, 2011

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

Members of the Board
Charleroi Area School District
Washington County, Pennsylvania

Dear Members:

Compliance

We have audited the compliance of Charleroi Area School District with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, Charleroi Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

Members of the Board
Charleroi Area School District
Exhibit B
Page 2

Internal Control Over Compliance

The management of Charleroi Area School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above.

This report is intended solely for the information and use of management, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Certified Public Accountants
December 20, 2011

Charleroi Area School District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

Exhibit C

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the financial statements of Charleroi Area School District.
2. No reportable conditions relating to the audit of the financial statements are reported in these statements.
3. No instances of noncompliance material to the financial statements of Charleroi Area School District were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs are reported in these financial statements.
5. The auditor's report on compliance for the major federal award program for the Charleroi Area School District expresses an unqualified opinion.
6. Audit findings relative to the major federal award programs for Charleroi Area School District are reported in Part C of this Schedule.
7. The programs tested as major programs are the Title I - 84.389 and 84.010 (a cluster), State Fiscal Stabilization Grants (SFSF) – 84.394, Child Nutrition Programs – 10.555, 10.553 and 10.559 (a cluster), and Education Jobs Fund – 84.410.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Charleroi Area School District qualified as a low-risk auditee.

B. Findings - Financial Statements Audit

None

C. Findings and Questioned Costs - Major Federal Award Programs Audit

None

Charlottesville Area School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

Exhibit D

Federal Grantor/ Pass Through Grantor/ Project Title	Source Code	Federal CFDA Number	Pass Through Grantor's Number	Grant Period Beginning/ Ending Date	Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue 07/01/10	Revenue Recognized	Expend- itures	Accrued or (Deferred) Revenue 6/30/11
U.S. Department of Education Passed through the Pennsylvania Department of Education										
Title I - ARRA	I	84.389	127-100077	2010-11	\$ 90,984	\$ 70,797	0	\$ 90,984	\$ 90,984	\$ 20,187
Title I - ARRA	I	84.389	127-100077	2009-10	172,866	0	(1,091)	1,091	1,091	0
Title I	I	84.010	13-100077	2009-10	380,029	53,643	32,491	21,152	21,152	0
Title I	I	84.010	13-110077	2010-11	375,434	225,438	0	375,434	375,434	149,996
Title II-A	I	84.367	20-110077	2010-11	113,201	75,657	0	113,201	113,201	37,544
Title II-A	I	84.367	20-100077	2009-10	113,432	15,084	11,835	3,249	3,249	0
Medical Assistance	I	93.778	044-117077	2010-11	42,719	37,790	0	42,719	42,719	4,929
IDEA B - ARRA	I	84.391	128-110001	2010-11	450,736	341,008	208,342	242,394	242,394	109,728
IDEA B	I	84.027	062-110001	2010-11	249,627	249,627	0	249,627	249,627	0
SFSF - ARRA	I	84.394	126-100077	2009-10	868,544	361,893	361,893	0	0	0
SFSF - ARRA	I	84.394	126-110077	2010-11	913,166	380,486	0	913,166	913,166	532,680
Medical Assistance	I	93.778	044-007077	2009-10	31,899	31,899	31,899	0	0	0
AARA - Education Jobs Fund	I	84.410	140-159616	2010-11	540,924	540,924	0	540,924	540,924	0
Total U.S. Department of Education						\$2,384,246	\$ 645,369	\$2,593,941	\$2,593,941	\$ 855,064

Charleroi Area School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

Exhibit D

Federal Grantor/ Pass Through Grantor/ Project Title	Source Code	Federal CFDA Number	Pass Through Grantor's Number	Grant Period Beginning/ Ending Date	Total Received for the Year	Accrued or (Deferred) Revenue 07/01/10	Revenue Recognized	Expend- itures	Accrued or (Deferred) Revenue 06/30/11
U.S. Department of Agriculture Passed through the Pennsylvania Department of Education									
Food Nutrition Service	S	N/A	N/A	10-11	\$ 27,631	\$ 0	\$ 27,631	\$ 27,631	\$ 0
Food Nutrition Service	S	N/A	N/A	09-10	2,480	0	2,480	2,480	0
Lunch Hi/Lo	I	10.555	N/A	09-10	283,542	0	283,542	283,542	0
Severe Need Breakfast	I	10.553	N/A	09-10	82,729	0	82,729	82,729	0
Summer Fund Service	I	10.559	N/A	09-10	1,754	1,754	0	0	0
Summer Food Service	I	10.559	N/A	10-11	2,212	0	2,212	2,212	0
Passed through PA Department of Agriculture									
Value of USDA Donated Commodities	I	10.550	N/A	08-09	32,672	(4,328)	27,935	27,935	(9,065)
Total Federal Assistance & Other State Assistance					<u>\$2,817,266</u>	<u>\$ 642,795</u>	<u>\$3,020,470</u>	<u>\$3,020,470</u>	<u>\$ 845,999</u>

Footnotes:

(a) = USDA Donated Commodities Received
(b) = Beginning of Year Donated Commodities Inventory
(c) = Total Value of Commodities Used
(d) = End of Year Donated Commodities Inventory
S = State
I = Indirect

Charleroi Area School District
List of Report Distribution
June 30, 2011

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