

**CHARLEROI AREA SCHOOL DISTRICT
FINANCIAL STATEMENTS**

JUNE 30, 2014

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CASE | SABATINI

PROFESSIONAL ACCOUNTING,
CONSULTING & BUSINESS
ADVISORY SERVICES

March 19, 2015

The Board of Directors
Charleroi Area School District
Charleroi, Pennsylvania

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INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Charleroi Area School District, (The District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the

entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2014, and the respective changes in financial position and where applicable, cash flows thereof, in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principal

As described in Note A to the basic financial statements, during the year ended June 30, 2014, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Correction of Misstatement

As described in Note N to the basic financial statements, the opening fund balance for the General Fund and the opening net position for Governmental Activities were adjusted to correct various misstatements in the prior year. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress, the schedule of employer contributions, and the schedule of revenues, expenditures, and changes in fund balance – budget and actual – general fund 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2015 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Certified Public Accountants
Pittsburgh, PA

**CHARLEROI AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

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, 2014.

FINANCIAL HIGHLIGHTS

- The liabilities of the District exceeded its assets at the close of the most recent fiscal year by \$3,075,725 (*net position*). The District's total net position decreased by \$859,731. This decrease is primarily attributable to the increased costs for special education.
- Total revenues of \$21,920,647 were comprised of local revenues in the amount of \$8,603,618, or 39 percent, state sources of \$11,890,826 or 54 percent and federal revenues in the amount of \$1,426,203, or 7 percent.
- For the year ended June 30, 2014, the District had \$ 17,175,795 in net expenses related to governmental activities. General revenues (primarily taxes and state funding programs) of \$16,338,201 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 \$17,531, a decrease of \$842,480, in comparison with the prior year. At the end of the current fiscal year, unreserved net assets were \$1,052,780, or 4 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 decreased by \$647,959 or 2 percent, during the current fiscal year.
- As explained more fully in Note M to the basic financial statements, the District entered into an oil and gas lease during the current year. The District received a payment of \$283,850 upon execution of the lease and will receive royalties of 17%.

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 prove 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, 2014**

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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.

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, 2014**

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. The General Fund is considered to be a major fund.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget and is included in the Other Information (see below).

Proprietary funds. The District maintains one type of proprietary fund – food service funds. *Food service fund* 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.

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. In addition to the basic financial statements and accompanying notes, the report also presents certain required supplementary information concerning the District's progress in funding its commitment to provide certain District retirees with healthcare coverage and demonstrate compliance with its budget.

The District receives funding from the federal government to support its programs. The Schedule of Expenditures of Federal Awards is presented for the purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

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

**CHARLEROI AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities exceeded assets by \$3,075,725 at the close of the most recent fiscal year.

A portion of the District's net position, \$365,781 reflects 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. In addition a portion of the District's net position, \$2,358 reflects its restricted net position for capital projects.

Summary of Net Position

	June 30, 2013	June 30, 2014	Percentage Change
Current and Other Assets	\$ 5,325,862	\$ 3,716,287	-30.2%
Capital Assets	33,438,916	32,902,940	-1.6%
Total Assets	38,764,778	36,619,227	-5.5%
Long-Term Liabilities	36,780,601	36,433,106	-0.9%
Other Liabilities	2,721,606	3,261,846	2.0%
Total Liabilities	39,502,207	39,694,952	0.5%
Net Assets			
Invested in Capital Assets, Net of Related Debt	(1,281,239)	365,781	128.6%
Restricted	55,112	2,358	-95.7%
Unrestricted	488,698	(3,443,864)	-804.7%
Total Net Position	\$ (737,429)	\$ (3,075,725)	-317.1%

**CHARLEROI AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

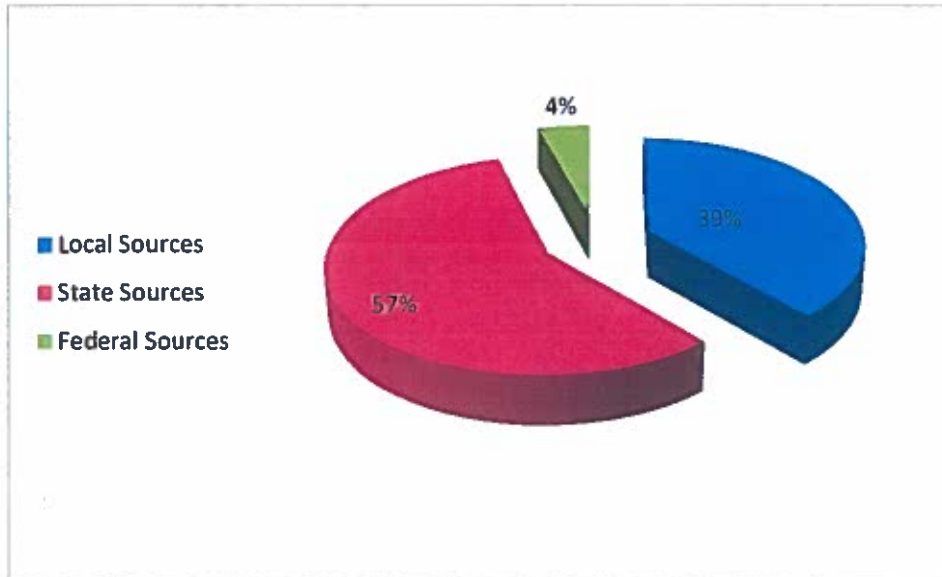
Summary of Changes in Net Position

	For the Fiscal Year Ended		Percentage Change
	June 30, 2013	June 30, 2014	
Revenues			
Charges for Services	\$ 349,192	\$ 324,086	-7.2%
Operating Grants	4,800,723	5,258,353	9.5%
Taxes	7,827,894	7,883,214	0.7%
Unrestricted Grants	8,012,686	8,058,676	0.6%
Investment Earnings	5,473	3,000	-45.2%
Other	42,841	393,318	818.1%
Total Revenues	21,038,809	21,920,647	4.2%
Expenses			
Instruction	13,389,871	13,399,998	0.1%
Ins. Student Support	943,454	1,391,860	47.5%
Administrative	2,087,951	1,926,495	-7.7%
Plant Services	1,657,428	1,778,359	7.3%
Pupil Transportation	1,241,110	1,127,814	-9.1%
Student Activities	373,066	598,606	60.5%
Community Service	-	5,000	N/A
Interest Expense	1,425,710	1,775,497	24.5%
Food Service	752,912	776,749	3.2%
Total Expenses	21,871,502	22,780,378	4.2%
Change in Net Position	(832,693)	(859,731)	3.2%
Net Position - Beginning	95,264	(737,429)	N/A
Adjustments		(1,478,565)	N/A
Net Position - As Adjusted	95,264	(2,215,994)	N/A
Fund Balance - Ending	\$ (737,429)	\$ (3,075,725)	N/A

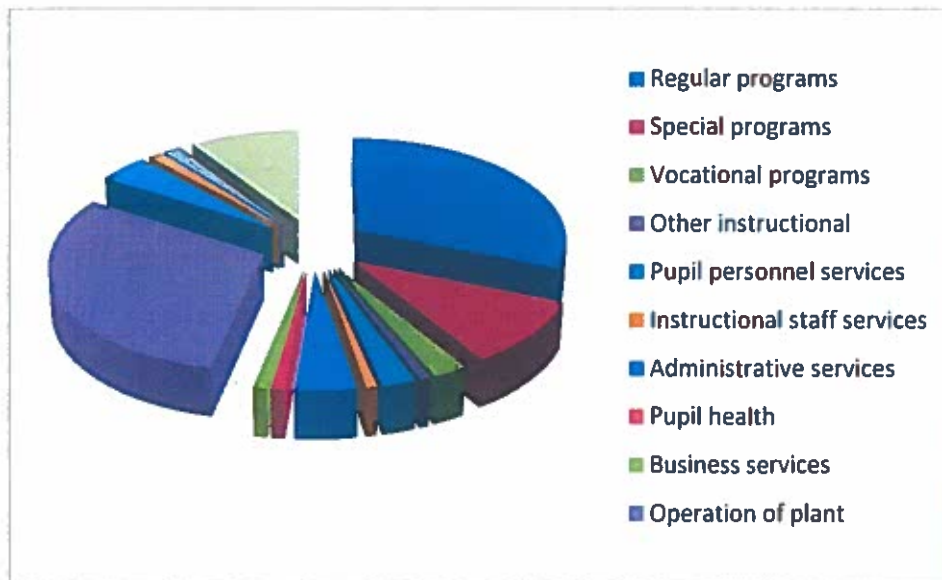
At the end of the current fiscal year, the District is able to report positive balances in two of the three categories of net position. The District's net position decreased in total by \$859,731 during the current fiscal year primarily as a result of increased costs for special education.

**CHARLEROI AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

Revenues by Source – Statement of Activities



Expenses – Statement of Activities



**CHARLEROI AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

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 \$17,531, a decrease of \$ 842,480 in comparison with the prior year.

The *General Fund* is the chief operating fund of the District. At the end of the current fiscal year, the total fund balance decreased by \$789,726. The reasons for this decrease are discussed in the section entitled *General Fund Budgetary Highlights* below.

The *Capital Projects Fund*, which is used to account for capital project activity funded by bond issuance, has a total fund balance of 2,358, 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 \$52,754.

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 exceeded budgeted revenues by \$453,302. Approximately \$260,000 of this excess was attributable to collection of local taxes. In addition the District received proceeds from executing an oil and gas lease of \$283,850. The General Fund actual expenditures were more than the budgeted appropriations by \$986,890. As also noted above this increase was primarily due to increased spending on special education.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets as of June 30, 2014, amounts to \$32,866,262 (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 decrease in the District's investment in capital assets (net of accumulated depreciation) for the current fiscal year was approximately 1.6 percent.

**CHARLEROI AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

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

- Buses (5)
- Computers and other Technology Upgrades
- Security Systems

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

	Governmental Activities	
	June 30, 2013	June 30, 2014
Land	\$ 637,195	\$ 637,195
Buildings	31,664,685	30,659,220
Vehicles	376,756	681,548
Infrastructure	448,008	434,991
Machinery and Equipment	286,272	453,308
Total Capital Assets	<u>\$ 33,412,916</u>	<u>\$ 32,866,262</u>

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

Long-term debt. The following is a summary of the District's long-term debt at June 30, 2014 and 2013.

Summary of Outstanding Debt

	Governmental Activities	
	June 30, 2013	June 30, 2014
GOB, Series B of 2009	\$ 13,950,000	\$ 13,945,000
GOB, Series A of 2009	1,195,000	-
GOB, Refunding Series of 2008	8,680,000	8,150,000
1999 Guaranteed Revenue Bonds	9,618,379	10,231,477
2012 Mon Valley Vo-Tech	1,551,240	1,500,950
Total Debt	<u>\$ 34,994,619</u>	<u>\$ 33,827,427</u>

**CHARLEROI AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

The District's underlying rating from Moody's Investor's Service is A3. 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.

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Charleroi Area School District
Statement of Net Position
June 30, 2014

	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Cash and Equivalents	\$ 2,845,391	\$ 28,035	\$ 2,873,426
Tax Receivable (Net)	615,644	-	615,644
Due from Other Governmental Agencies	88,584	-	88,584
Other Receivables	23,760	-	23,760
Prepaid Expenses	51,701	-	51,701
Inventories	-	4,253	4,253
Deposits	-	58,919	58,919
Capital Assets (Net)			
Land	637,195	-	637,195
Buildings	30,659,220	-	30,659,220
Vehicles	681,548	-	681,548
Infrastructure	434,991	-	434,991
Machinery and Equipment	453,308	36,678	489,986
Total Capital Assets	<u>32,866,262</u>	<u>36,678</u>	<u>32,902,940</u>
Total Assets	<u>\$ 36,491,342</u>	<u>\$ 127,885</u>	<u>\$ 36,619,227</u>
LIABILITIES			
Accounts Payable	\$ 469,236	\$ 52,580	\$ 521,816
Internal Balances	85,923	(85,923)	-
Accrued Interest Payable	203,301	-	203,301
Accrued Salaries and Benefits	2,504,975	-	2,504,975
Other Current Liabilities	31,754	-	31,754
Noncurrent Liabilities			
Due Within One Year:			
Bonds Payable	2,066,546	-	2,066,546
Capital Leases	1,491	-	1,491
Due In More Than One Year:			
Bonds Payable	31,760,881	-	31,760,881
Capital Leases	209,193	-	209,193
Compensated Absences Payable	203,209	-	203,209
Other Postemployment Benefits	2,191,786	-	2,191,786
Total Noncurrent Liabilities	<u>36,433,106</u>	<u>-</u>	<u>36,433,106</u>
Total Liabilities	39,728,295	(33,343)	39,694,952
NET POSITION			
Invested in capital assets, net of related debt	329,103	36,678	365,781
Restricted For:			
Capital projects	2,358	-	2,358
Unrestricted	<u>(3,568,414)</u>	<u>124,550</u>	<u>(3,443,864)</u>
Total Net Position	<u>(3,236,953)</u>	<u>161,228</u>	<u>(3,075,725)</u>
Total Liabilities and Net Position	<u>\$ 36,491,342</u>	<u>\$ 127,885</u>	<u>\$ 36,619,227</u>

The accompanying notes are an integral part of these financial statements

**Charleroi Area School District
Statement of Activities
For the Year Ended June 30, 2014**

<u>Functions/Programs</u>	<u>Program Revenue</u>	
	<u>Expenses</u>	<u>Charges for Services</u> <u>Operating Grants and Contributions</u>
Governmental Activities		
Governmental Activities		
Instruction	\$ 13,399,998	\$ 21,565 \$ 3,072,397
Instructional Student Support	1,391,860	- 42,573
Administrative and Financial Support	1,926,495	- -
Operation and Maintenance of Plant	1,778,359	- -
Pupil Transportation	1,127,814	- 475,524
Student Activities	598,606	22,359 -
Community Service	5,000	- -
Interest on Long-term Debt	1,775,497	- 1,193,416
Total governmental activities	22,003,629	43,924 4,783,910
Business-type activities		
Food Service	776,749	280,162 474,443
Total business-type activities	776,749	280,162 474,443
Total Government	\$ 22,780,378	\$ 324,086 \$ 5,258,353

General revenues:

Taxes:

Property Taxes

Earned Income Taxes

Per Capita Taxes

Other Taxes

Basic Education Subsidy

Property Tax Reduction Allocation

Investment Earnings

Proceeds of Gas Lease

Donations

Gain on Disposal of Capital Assets

Miscellaneous Income

Total general revenues, special items, and transfers

Change in net position

Net position - beginning of fiscal year - as adjusted

Net position - end of fiscal year

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (10,306,036)	\$ -	\$ (10,306,036)
(1,349,287)	-	(1,349,287)
(1,926,495)	-	(1,926,495)
(1,778,359)	-	(1,778,359)
(652,290)	-	(652,290)
(576,247)	-	(576,247)
(5,000)	-	(5,000)
(582,081)	-	(582,081)
(17,175,795)	-	(17,175,795)
-	(22,144)	(22,144)
-	(22,144)	(22,144)
(17,175,795)	(22,144)	(17,197,939)
6,560,582	-	6,560,582
1,027,283	-	1,027,283
39,333	-	39,333
256,016	-	256,016
7,414,771	-	7,414,771
643,905	-	643,905
2,993	7	3,000
283,850	-	283,850
9,523	-	9,523
17,000	-	17,000
82,945	-	82,945
16,338,201	7	16,338,208
(837,594)	(22,137)	(859,731)
(2,399,359)	183,365	(2,215,994)
<u>\$ (3,236,953)</u>	<u>\$ 161,228</u>	<u>\$ (3,075,725)</u>

The accompanying notes are an integral part of these financial statements

**Charleroi Area School District
Balance Sheet
Governmental Funds
June 30, 2014**

	Governmental Funds		
	General Fund	Other Funds	Total Funds
ASSETS			
Cash and Deposits	\$ 2,842,564	\$ 2,827	\$ 2,845,391
Taxes Receivables (Net)	615,644	-	615,644
Due From Other Governments	88,584	-	88,584
Other Receivables (Net)	23,760	-	23,760
Prepaid Expenses	51,701	-	51,701
Total assets	\$ 3,622,253	\$ 2,827	\$ 3,625,080
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Interfund Payable	\$ 85,923	\$ -	\$ 85,923
Accounts Payable	468,767	469	469,236
Accrued Salaries and Benefits	1,396,887	-	1,396,887
Payroll Deductions and Withholdings	1,108,088	-	1,108,088
Prepaid Retiree Health	31,754	-	31,754
Total liabilities	3,091,419	469	3,091,888
Deferred Inflows of Resources			
Deferred Revenue	515,661	-	515,661
Total deferred inflows of resources	515,661	-	515,661
Fund balances:			
Nonspendable - Prepaid Items	51,701	-	51,701
Restricted for:			
Capital Projects	-	2,358	2,358
Unassigned	(36,528)	-	(36,528)
Total fund balances	15,173	2,358	17,531
Total liabilities, deferred inflows or resources, and fund balances	\$ 3,622,253	\$ 2,827	\$ 3,625,080

The accompanying notes are an integral part of this financial statement.

**Charleroi Area School District
Reconciliation of Governmental Fund Balances
to the Statement of Net Position
June 30, 2014**

TOTAL FUND BALANCE, GOVERNMENTAL FUNDS		\$	17,531
Receivables for the following revenues are not available to pay for current period expenditures, and therefore, are deferred in the funds			
Real Estate Taxes	\$	451,359	
State Subsidies		<u>64,302</u>	515,661
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.			
Land		637,195	
Buildings		30,659,220	
Vehicles		681,548	
Infrastructure		434,991	
Machinery and Equipment		<u>453,308</u>	32,866,262
Current Liabilities not payable from current financial resources are not recognized in governmental funds			
Accrued Interest		<u>(203,301)</u>	(203,301)
Noncurrent liabilities not due and payable in the current period, and therefore, not reported in the funds. Those liabilities consist of:			
Long Term Debt		(33,827,427)	
Capital Leases		(210,684)	
Compensated Absences		(203,209)	
Other Postemployment Benefits		<u>(2,191,786)</u>	(36,433,106)
NET POSITION OF GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES		\$	<u><u>(3,236,953)</u></u>

The accompanying notes are an integral part of this financial statement

Charleroi Area School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

	Governmental Funds		Total
	General Fund	Other Funds	Funds
REVENUES			
Local Sources			
Taxes	\$ 8,051,855	\$ -	\$ 8,051,855
Interest	2,960	33	2,993
Other Local Revenues	587,929	-	587,929
State Sources	11,801,851	-	11,801,851
Federal Sources	770,847	-	770,847
Total Revenues	21,215,442	33	21,215,475
EXPENDITURES			
Instruction	8,658,162	-	8,658,162
Special Instruction	3,406,521	-	3,406,521
Vocational Instruction	361,797	-	361,797
Other Instruction	223,398	-	223,398
Pupil Services	665,301	-	665,301
Instruction Staff Services	392,256	-	392,256
Administration	1,233,614	-	1,233,614
Pupil Health	248,965	-	248,965
Business Office	215,683	-	215,683
Operation of Plant	1,729,885	52,950	1,782,835
Student Transportation	1,379,111	-	1,379,111
Central and Other Support	437,553	-	437,553
Student Activities	362,735	-	362,735
Community Service	5,000	-	5,000
Debt Service			
Principal	1,980,054	-	1,980,054
Interest	1,170,319	-	1,170,319
Total Expenditures	22,470,354	52,950	22,523,304
Revenues Over (Under) Expenditures	(1,254,912)	(52,917)	(1,307,829)
OTHER FINANCING SOURCES (USES)			
Refund of prior year's expense	59,072	-	59,072
Refund of prior year's receipts	(21,171)	-	(21,171)
Proceeds from sale of capital assets	17,000	-	17,000
Proceeds from capital lease	410,448	-	410,448
Transfers in	-	163	163
Transfers out	(163)	-	(163)
Total Other Financing Sources	465,186	163	465,349
Net change in fund balances	(789,726)	(52,754)	(842,480)
Fund balances - beginning - as adjusted	804,899	55,112	860,011
Fund balances - ending	\$ 15,173	\$ 2,358	\$ 17,531

The accompanying notes are an integral part of this financial statement.

**Charleroi Area School District
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2014**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENT FUNDS		\$ (842,480)
Revenue timing differences resulted in differences in the following revenue categories in the statement of activities.		
Real estate taxes	\$ (168,641)	
State subsidies	<u>64,302</u>	(104,339)
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period these amount are:		
Capital outlay	639,522	
Depreciation	<u>(1,186,176)</u>	(546,654)
Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.		
Changes in accrued interest payable	<u>7,920</u>	7,920
The differences due to Non-current liabilities are:		
1. The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.		
Bond principal payments	1,780,290	
Accretion of interest on deep discount bonds	(613,098)	
Issuance of capital leases	(410,448)	
Capital lease payments	<u>199,764</u>	956,508
2. Some expenses for certain employee benefits do not require the use of current financial resources. These benefits are accrued and reported as liabilities in the statement of net assets		
Changes in compensated absences payable	(4,919)	
Change in other postemployment benefits	<u>(303,630)</u>	(308,549)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u><u>\$ (837,594)</u></u>

The accompanying notes are an integral part of this financial statement.

Charleroi Area School District
Statement of Net Position
Proprietary Funds
June 30, 2014

	<u>Food Service</u>
ASSETS	
Current assets:	
Cash and Deposits	\$ 28,035
Inventories	4,253
Deposit - Nutrition	58,919
Due from Other Funds	<u>85,923</u>
Total current assets	177,130
Non-current assets:	
Equipment (net of depreciation)	<u>36,678</u>
Total non-current assets	<u>36,678</u>
Total assets	<u>\$ 213,808</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	\$ 52,580
Student Deposits	<u>-</u>
Total current liabilities	52,580
NET POSITION	
Invested in capital assets, net of related debt	36,678
Unrestricted	<u>124,550</u>
Total net position	<u>161,228</u>
Total Liabilities and Net Position	<u>\$ 213,808</u>

The accompanying notes are an integral part of this financial statement.

Charleroi Area School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2014

	<u>Food Service</u>
OPERATING REVENUES	
Food Service Revenue	\$ 280,162
Total operating revenues	<u>280,162</u>
OPERATING EXPENSES	
Personal Service - Salaries	214,986
Personal Service - Benefits	89,797
Food Costs	315,378
Other Purchased Services	5,333
Repairs and Maintenance	6,674
Supplies	140,897
Depreciation	<u>3,684</u>
Total Operating Expenses	<u>776,749</u>
Operating income (loss)	(496,587)
NON-OPERATING REVENUES (EXPENSES)	
State Subsidies	24,672
Federal Subsidies	
Lunch and Breakfast Subsidies	418,960
Value of Donated Commodities Received	30,811
Earnings on Investments	<u>7</u>
Total Non-Operating Revenue and Expense	<u>474,450</u>
Income (Loss) Before Transfers	(22,137)
Transfers In	<u>-</u>
Change in net position	(22,137)
Total net position - beginning	<u>183,365</u>
Total net position - ending	<u>\$ 161,228</u>

The accompanying notes are an integral part of this financial statement.

Charleroi Area School District
Statement of Cash Flows
Proprietary Funds
June 30, 2014

	<u>Food Service</u>
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 299,210
Cash Paid for Employees and Benefits	(1,856)
Cash Paid to Suppliers for Goods and Services	(482,834)
Net Cash Provided (Used) by Operating Activities	<u>(185,480)</u>
Cash Flows from Noncapital Financing Activities:	
Federal and State Subsidies	<u>206,676</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>206,676</u>
Cash Flows From Capital and Related Financing Activities:	
Purchase of Equipment	<u>(14,362)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(14,362)</u>
Cash Flows from Investing Activities:	
Earning on Investments	<u>7</u>
Net Cash Provided (Used) by Investing Activities	<u>7</u>
Net Increase (Decrease) in Cash and Equivalents	6,841
Cash and Equivalents, Beginning of Year	<u>21,194</u>
Cash and Cash Equivalents, End of Year	<u>\$ 28,035</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income	\$ (496,587)
Non-Cash Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation and Amortization	3,684
Donated Commodities Used	30,811
Salaries and Benefits	302,927
Change in Operating Assets and Liabilities:	
(Increase) Decrease in Inventories	232
(Increase) Decrease in Accounts Receivable	4,813
Increase (Decrease) in Interfund Balances	14,235
Increase (Decrease) in Accounts Payable	(45,595)
Total Adjustments	<u>311,107</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (185,480)</u>

Non-Cash Transactions

1. The District pays the salaries and benefits of the Cafeteria workers from the General Fund and receives the subsidies from Federal and State government in the General Fund. These transactions are recorded as interfund balances in the Food Service Statement of Net Assets. The District paid a portion of the federal and state subsidies to the Cafeteria Fund
2. The District receives noncash assistance from the federal government through the Pennsylvania Department of Agriculture in the form of various commodities. The value of these commodities is provided by the federal government and is recorded as non-operating revenue on the statement of revenues, expenses, and changes in fund net assets.

The accompanying notes are an integral part of this financial statement.

Charleroi Area School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	<u>Agency Funds</u> <u>Student Activities</u>
ASSETS	
Current Assets:	
Cash and Deposits	\$ 92,342
Other Receivables	-
Total Current Assets	<u>92,342</u>
 Total assets	 <u>\$ 92,342</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	\$ -
Other Current Liabilities	92,342
Total Current Liabilities	<u>92,342</u>
 Total liabilities	 <u>\$ 92,342</u>

The accompanying notes are an integral part of this financial statement.

Charleroi Area School District

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Charleroi Avella Area School District (the District), have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The significant accounting policies are described below.

1. Organization and Reporting Entity

The organization of the District and the basis of the reporting entity are presented below to assist the reader in evaluating the financial statements and the accompanying notes.

The District provides public elementary and secondary education to the residents of the Township of Fallowfield and the Boroughs of Charleroi, Dunlevy, North Charleroi, Speers, Stockdale, and Twilight, all in Washington County of the Commonwealth of Pennsylvania. The District operates under a nine person elected Board of Directors.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", as amended, the District has evaluated all related entities (authorities, commissions, tax exempt organizations and affiliates) for the possible inclusion in the financial reporting entity.

In evaluating how to define the District, for financial reporting purposes, all potential component units were considered. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only criterion for including a potential component unit within the reporting entity is the District's ability to exercise oversight responsibility. The most significant part of this ability is financial interdependency. Other parts of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. A second criterion is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its students, or whether the activity is conducted within the authority of the District and is generally available to its students. A third criterion is the existence of special financing relationships, regardless if the District is able to exercise oversight responsibility. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the District's reporting entity.

Included within the reporting entity are: General Fund, Capital Projects Fund, Cafeteria Fund, and the Activity Funds. All of the funds listed meet the above criteria and comprise the District's reporting entity. Excluded from the reporting entity are; the various booster organizations for the District's athletic teams, the PTA, PTO and Band Parents organizations. These potential component units are excluded from the reporting entity because the School District does not have the ability to exercise

Charleroi Area School District

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

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

1. Organization and Reporting Entry - Continued

influence over the election of their officers, their daily operations, approve their budgets or provide funding for their activities.

2. Government-Wide Financial Statements and Fund Financial Statements

Government-wide Statements: The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which primarily rely on fees and charges for support.

The government-wide Statement of Activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the District and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District.

Net position should be reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other purposes result from special revenue funds and the restrictions on their net position use.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

Fund Financial Statements: The fund financial statements provide information about the District's funds. Separate financial statements are provided for governmental and proprietary funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

Charleroi Area School District

NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

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

2. Government-Wide Financial Statements and Fund Financial Statements - Continued

The District reports the following major governmental fund:

General Fund. This is the 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.

All remaining governmental funds are aggregated and reported as non-major funds.
The District reports the following enterprise fund:

Food Service Fund – This fund accounts for the revenues, payments to the vendor who operates the cafeteria, and other costs and expenses of providing meals to students during the school year.

3. Fund Types

In accordance with generally accepted accounting principles applicable to governmental units, the accounts of the District are organized and operated on the basis of individual funds. The operations of each fund are accounted for by providing a separate set of self-balancing accounts comprised by its assets, liabilities, fund equity, revenues, and expenditures or expenses. A description of the purpose and function of each type presented in the accompanying financial statements follows.

GOVERNMENTAL FUND TYPES

The General Fund is used to account for all financial transactions not accounted for in the fund types listed below. This includes items such as the receipt and expenditure of the general tax levy and most state and federal subsidies.

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital assets (other than those financed by proprietary fund types). The *Capital Projects Fund* (non-major fund) is reported as capital projects funds.

PROPRIETARY FUND TYPES

An Enterprise Fund is used to account for operations that are financed and operated in a manner similar to that found in the private sector, where the intent of the District is that the

Charleroi Area School District

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

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

3. Fund Types - Continued

costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The *Food Service Fund* is reported as an enterprise fund.

4. Basis of Accounting and Measurement Focus

Basis of accounting refers to when revenues, expenditures, expenses and transfers, and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. The primary effect of internal activity has been eliminated from the government-wide financial statements.

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available to finance expenditures of the fiscal period. Available means expected to be collected within sixty days of year-end. Expenditures and transfers out are generally recognized under the accrual basis of accounting when the related liability is incurred except for compensated absences and interest on general long-term debt, which is recorded when the payment is due.

The financial statements of proprietary funds are presented on the accrual basis of accounting. Under this method of accounting all revenues are recorded when earned and expenses are recorded when the liability is incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's ongoing revenues. The principal operating revenues of the District's proprietary fund is discussed in the next section. 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 non-operating revenues and expenses.

Charleroi Area School District

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

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

5. Revenues

- a. Property taxes collected by the various township and borough tax collectors within sixty days subsequent to June 30, are recorded as revenue on the Statement of Revenues, Expenditures, and Changes in Fund Balances in the previous year ended.
- b. Federal and state grants are recognized as revenues in the period the related expenditures are incurred, if applicable, or when the District is entitled to the grants. However, these grants are subject to audit and adjustment by grantor agencies. Grant revenues received for expenses, which are disallowed, are repayable to the grantor.
- c. The receivable balances presented in the accompanying combined balance sheet are recorded at net realizable value. Management believes property taxes receivable are fully collectible and accordingly, has not recorded an allowance for this class of receivables.

6. Expenditures

Capital asset purchases, relating to non-proprietary fund type assets, are included in current year expenditures in governmental funds and are capitalized in the government-wide statement of net assets.

Interest on non-proprietary fund debt is expensed on the Statement of Revenues, Expenditures, and Changes in Fund Balances when paid.

7. Cash, Cash Equivalents, Restricted Cash, and Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the District. For purposes of the accompanying Statement of Cash Flows, the District considers all highly liquid investments with a maturity of three months or less when acquired to be cash equivalents.

8. Inventories

On government-wide financial statements, inventories are presented at cost on a first-in, first-out basis, and are expensed when used.

Inventories in governmental funds are stated at cost by the first-in, first-out method. The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, an estimated value in of the

Charleroi Area School District

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

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

8. Inventories - Continued

inventories is reported as an asset in the General Fund. The inventories in the General Fund are equally offset by nonspendable fund balance, which indicates they do not constitute "available expendable resources" even though they are a component of net current assets. The General Fund did not have a material inventory balance as of June 30, 2014.

Inventories in the Cafeteria Fund consist of expendable materials and other supplies and are stated at cost determined by the first-in, first-out method.

9. Prepaid Expenses

In the government-wide and fund financial statements, prepaid expenses are recorded as assets for expenditures for which benefit future periods.

10. Capital Assets

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets that have been acquired for general governmental purposes are recorded as expenditures in the governmental funds and are capitalized in the government-wide statement of net assets. All capital assets are recorded at cost, if known, or estimated historical cost. Donated capital assets are recorded at their fair market value on the date of donation. With the exception of enterprise funds, the District uses a threshold of \$1,500 for recording substantially all capital assets. Enterprise funds treat all items with an estimated useful life exceeding one year as capital assets. Depreciation on capital assets recorded in the government-wide statement of net assets is computed using the straight-line method over the estimated useful lives of the related assets.

Estimated useful lives for the Districts' classes of reported capital assets are as follows:

Land Improvements	20 years
Buildings and Improvements	20-50 years
Vehicles	8 years
Furniture and Equipment	5-20 years
Infrastructure	50 years

Charleroi Area School District

NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

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

10. Capital Assets - Continued

Public domain (infrastructure) capital assets (e.g. roads, bridges, sidewalks and other assets that are immovable and of value only to the government) that were placed in service prior to July 1, 2003 are not required to be capitalized by governments the size of the District. Infrastructure assets placed in service on or after July 1, 2003 are capitalized in the government-wide statement of net assets.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized in the government-wide statement of net position or the proprietary funds. Major renewals or betterments are capitalized as additions.

Depreciation of Enterprise Fund property, plant and equipment is computed using the straight-line method over the estimated useful lives of the related assets.

11. Compensated Absences

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

12. Other Postemployment Benefits

The District pays certain health care insurance premiums for eligible retired employees until they become eligible for Medicare. During the year ended June 30, 2007, the District adopted GASB Statement 45, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which provides guidance on how state and local governments should account for and report costs and obligations associated with postemployment healthcare and other nonpension benefits commonly referred to as other postemployment benefits or OPEB. In accordance with the adoption of GASB Statement 45, the District's expense for other postemployment benefits is based on the annual required contribution (ARC), an actuarially determined amount. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The difference between the ARC and the District's actual payment for retiree health care insurance premiums is shown as a liability in the government-wide financial statements.

Charleroi Area School District

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

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

13. Budgets

An annual budget is adopted for the General Fund in accordance with the Pennsylvania School Code. The basis of the budget is consistent with generally accepted accounting principles except for non-cash transactions, which are not recorded. Expenditures may not exceed budgeted appropriations as shown at the line item level on the budget filed with the Pennsylvania Department of Education. The expenditures and other financing use amounts reported in the budget column of the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual have been adjusted to reflect all budgetary increases and transfers made during the fiscal year. All unencumbered annual appropriations lapse at the end of the fiscal year.

14. Deferred Inflows of Resources

In addition to liabilities, the governmental funds balance sheets report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance that is applicable to a future reporting period(s) and so will not be recognized as an inflow of resources (revenues) until that time. The District has only one type of item, Deferred Revenues, that qualifies for reporting in this category.

15. Encumbrances

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of the goods or services. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are re-appropriated in the next year.

16. Net Position

Net position in the government-wide financial statements is disclosed in one of the three following components:

Invested in Capital Assets, Net of Related Debt – consists of capital assets net of accumulated depreciation reduced by the outstanding balance of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position – consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, or contributors, or (2) law through constitutional provisions or enabling legislation.

Unrestricted Net Position – consists of all other net position that does not meet the two definitions above.

Charleroi Area School District

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

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

17. Fund Balance

Nonspendable – consists of amounts that cannot be spent because they are either (1) not in spendable form, or (2) legally or contractually required to be maintained intact. The District reports nonspendable fund balance for prepaid expenses as of June 30, 2014

Restricted – consists of amounts with constraints placed on the use either by (1) external groups such as creditors, grantors, or contributors, or (2) law through constitutional provisions or enabling legislation. The District has fund balance restricted for capital projects as of June 30, 2014

Committed – amounts that can only be used pursuant to specific purposes pursuant to constraints imposed by a resolution enacted by the Board. Once committed, a resolution by the Board is required to lift the commitment. The District does not have any committed fund balance as of June 30, 2014

Assigned – amounts that are constrained by the District's intent to be used for specific purposes. The Board, the Superintendent, and the Business have authorization to assign fund balance. The District has does not have any assigned fund balance as of June 30, 2014.

Unassigned – represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

When committed, assigned, and unassigned resources are available for use, it is the District's policy to use committed resources first, assigned resources second, and then unassigned resources as they are needed.

18. Pending Governmental Accounting Standards Board Pronouncements

In June 2012, the Governmental Accounting Standards Board adopted Statement 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25* and Statement 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. These statements establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement – determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. These statements require changes in accounting for pension expense and liabilities along with enhanced note disclosures and required supplementary information. These statements are required for financial statements of periods beginning after June 15, 2014. The District has not determined the impact, if any, that GASB 67 and 68 will have on the financial statements.

Charleroi Area School District

NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

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

18. Pending Governmental Accounting Standards Board Pronouncements - Continued

In January 2013, the Governmental Accounting Standards Board adopted Statement 69, *Government Combinations and Disposals of Government Operations*. This statement establishes accounting and financial reporting standards related to governmental combinations and disposals of government operations. Governmental combinations include a variety of transactions such as mergers, acquisitions, and transfers of operations. This statement is required for financial statements of periods beginning after December 15, 2013. The District has not determined the impact, if any, that GASB 69 will have on the financial statements.

In April 2013, the Governmental Accounting Standards Board adopted Statement 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This statement requires that governments which extend financial guarantees for the obligations of another government without receiving equal of approximately equal value in exchange (a nonexchange transaction) to recognize a liability when qualitative factors and historical data indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This statement also requires disclosures by governments that receive such a guarantee. This statement is required for financial statements of periods after June 15, 2013. The District has not determined the impact, if any, that GASB 70 will have on the financial statements.

In November 2013, the Governmental Accounting Standards Board adopted Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68*. This statement is a technical correction involving the implementation of GASB 68 (see above). This is required to be applied simultaneously with GASB Statement 68. The District has not determined the impact, if any, that GASB 71 will have on the financial statements.

19. Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

20. Adoption of Accounting Standard

During the current year, the District adopted the Governmental Accounting Standards Board Statement 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred

Charleroi Area School District

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

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

20. Adoption of Accounting Standard - Continued

outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The effect of implementing this statement was to reduce beginning net position on the government-wide statements by \$779,155 to remove the bond issue costs. In addition, certain revenues were recorded separately from liabilities on the governmental fund balance sheets as Deferred Inflows of Resources.

NOTE B - PROPERTY TAXES

The District's real estate tax is levied each July 1 on the assessed value listed as of the prior January 1 for all real estate located in the District. The assessed value of the roll on January 1, 2013, upon which the levy for the 2014 fiscal year was based, was \$55,802,712.

The tax rate for the year ended June 30, 2014 to finance General Fund operations was 130.00 mills.

Property taxes attach as an enforceable lien on property as of July 1 of the following year. Taxes are due on October 31 and become delinquent once they are reported to the Tax Claim Bureau of Washington County, in January of the current year. The Tax Claim Bureau periodically remits the collection of these taxes to the District and these collections are reported as delinquent in the basic financial statements.

NOTE C - CASH DEPOSITS AND INVESTMENTS

Statutes allow the District to invest in United States Treasury bills, obligations of the United States Government or any of its agencies or instrumentalities backed by its full faith and credit, obligations of the Commonwealth of Pennsylvania or its agencies, instrumentalities, or political subdivisions, provided they are backed by the full faith and credit of the Commonwealth and the taxing powers of the issuing government, deposits in savings accounts, time deposits, and certificates of deposit of institutions having a place of business in the Commonwealth of Pennsylvania and insured or collateralized in accordance with Act 72, and shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, provided the only investments of the company are those authorized for direct investment by the District.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District feels no deposit policy for custodial credit risk is necessary because of the aforementioned restrictions on deposits and the

Charleroi Area School District

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

NOTE C - CASH DEPOSITS AND INVESTMENTS – (Continued)

collateralization requirements imposed by state law. As of June 30, 2014, the District had \$2,321,258 exposed to this risk because the collateral for these funds is not held by the financial institution or their agent in the District's name.

Custodial Credit Risk - Investments. The District has investments managed by the Pennsylvania Local Government Investment Trust (PLGIT). The fair value of the position in the PLGIT Program is the same as the value of the pools' shares. PLGIT's Board of Trustees and its participants annually select an independent auditing firm to perform a financial audit of the Trust. The pools are composed of a diversified portfolio of short-term securities, such as obligations of the United States. Since participation in these pools is not evidenced by securities, these pooled investment funds are not classified according to level of custodial credit risk. As of June 30, 2014, the District had \$954,387 invested with the PLGIT program.

NOTE D - RECEIVABLES AND PAYABLES

Receivables at June 30, 2014 were as follows:

Governmental Activities	
Taxes Receivable	\$ 615,644
Due from Other Governments – State	86,943
Due from Other Governments – Federal	1,641
Other	<u>23,760</u>
Total Governmental Activities	<u>727,988</u>
Business Activities	
Other	<u>-</u>
Total Business Activities	<u>-</u>
Total Primary Government	<u>\$ 727,988</u>

The amount due from the state governments for governmental activities represents state subsidies for support of the District.

The amount due from the federal government for governmental activities represents reimbursements for expenditures of the current period.

Other receivables for government activities represent miscellaneous receivables from various parties.

Accounts payable at June 30, 2014, consisted of amounts due to vendors for goods and services provided to the District.

Charleroi Area School District

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

NOTE E - INTERFUND BALANCES AND TRANSFERS

Interfund Balances

The District reports interfund balances among all of its major funds. The total of all balances agrees with the sum of interfund balances presented in the statement of net assets / balance sheet for governmental funds and for proprietary funds. All interfund balances are expected to be repaid within one year.

Due From

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Cafe Fund</u>	<u>Total</u>
Due to				
General Fund	\$ -	\$ -	\$ -	\$ -
Capital Projects	-	-	-	-
Cafe Fund	<u>85,923</u>	-	-	-
Total	<u>\$ 85,923</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85,923</u>

The amount due from the General Fund to the Cafeteria Fund consists primarily of the excess of subsidies received in the General Fund applicable to the Cafeteria Fund less payroll expense for the Cafeteria Fund paid from the General Fund and amounts transferred from the General Fund to support the Cafeteria operations.

Interfund Transfers

Transfer From

Transfer To	<u>General Fund</u>	<u>Capital Projects</u>	<u>Cafeteria Fund</u>	<u>Total</u>
General Fund	\$ -	\$ -	\$ -	\$ -
Capital Projects	163	-	-	163
Cafeteria Fund	-	-	-	-
Total	<u>\$ 163</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 163</u>

During the current year, the District transferred funds to the Capital Projects Fund to close a capital projects fund bank account.

Charleroi Area School District

NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE F - LAND, BUILDINGS, IMPROVEMENTS AND EQUIPMENT

The following is a summary of changes in capital assets for governmental activities during the fiscal year:

	Balance at July 1, <u>2013¹</u>	<u>Additions</u>	<u>Disposals</u>	Balance at June 30, <u>2014</u>
Not being depreciated:				
Land	\$ 637,195	\$ -	\$ -	\$ 637,195
Not being depreciated - total	<u>637,195</u>	<u>-</u>	<u>-</u>	<u>637,195</u>
Other capital assets:				
Building and Building Improvements	47,728,610	7,910	-	47,736,520
Furniture and Equipment	1,438,344	213,275	-	1,651,619
Vehicles	1,786,273	418,337	(51,329)	2,153,281
Infrastructure	<u>520,686</u>	<u>-</u>	<u>-</u>	<u>520,686</u>
	<u>51,473,913</u>	<u>639,522</u>	<u>(51,329)</u>	<u>52,062,106</u>
Accumulated Depreciation:				
Building and Building Improvements	(16,063,925)	(1,013,375)	-	(17,077,300)
Furniture and Equipment	(1,152,072)	(46,239)	-	(1,198,311)
Vehicles	(1,409,517)	(113,545)	51,329	(1,471,733)
Infrastructure	<u>(72,678)</u>	<u>(13,017)</u>	<u>-</u>	<u>(85,695)</u>
	<u>(18,698,192)</u>	<u>(1,186,176)</u>	<u>51,329</u>	<u>(19,833,039)</u>
Net other capital assets	<u>32,775,721</u>	<u>(546,654)</u>	<u>-</u>	<u>32,229,067</u>
Net capital assets	<u>\$ 33,412,916</u>	<u>\$ (546,654)</u>	<u>\$ -</u>	<u>\$ 32,866,262</u>

¹Reclassifications of the beginning balances are as follows:

<u>Category - Net Book Value</u>	<u>As Originally Reported</u>	<u>Reclass to Match Asset Detail</u>	<u>Reclass to New Categories</u>	<u>As Adjusted</u>
Building and Building Improvements	\$32,165,884	\$ (53,191)	\$ (448,008)	\$ 31,664,685
Furniture and Equipment	609,837	53,191	(376,756)	286,272
Vehicles	-	-	376,756	376,756
Infrastructure	<u>-</u>	<u>-</u>	<u>448,008</u>	<u>448,008</u>
Net Other Capital Assets	<u>\$32,775,721</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$32,775,721</u>

Charleroi Area School District

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

NOTE F - LAND, BUILDINGS, IMPROVEMENTS AND EQUIPMENT – (Continued)

The following is a summary of changes in capital assets for business-type activities during the fiscal year:

	Balance at July 1, <u>2013</u>	<u>Additions</u>	<u>Disposals</u>	Balance at June 30, <u>2014</u>
Furniture and Equipment	\$ 154,564	\$ 14,362	\$ -	\$ 168,926
	<u>154,564</u>	<u>14,362</u>	<u>-</u>	<u>168,926</u>
Accumulated Depreciation:				
Furniture and Equipment	<u>(128,564)</u>	<u>(3,684)</u>	<u>-</u>	<u>(132,248)</u>
	<u>(128,564)</u>	<u>(3,684)</u>	<u>-</u>	<u>(132,248)</u>
Net capital assets	<u>\$ 26,000</u>	<u>\$ 10,678</u>	<u>\$ -</u>	<u>\$ 36,678</u>

The dates of acquisition and acquisition costs were either furnished by the District or estimated using reverse-trending techniques applied against the estimate of current replacement cost. The actual or estimated historical cost determined by the appraisal and transactions that occurred subsequent to the appraisal are reported in the government-wide statement of net assets.

The capital assets as of June 30, 2014, include capital assets amounting to \$410,448 relating to capitalized leases and \$33,604 relating to accumulated amortization.

Depreciation expense was charged to governmental and business functions as follows:

Governmental activities:	
Instruction	\$ 570,302
Support Services	64,290
Administration	86,215
Plant	77,217
Transportation	152,282
Student Activities	<u>235,870</u>
Total Governmental activities	<u>1,186,176</u>
Business-type activities:	
Cafeteria	<u>3,684</u>
Total Business-type activities	<u>3,684</u>
Total Primary Government	<u>\$ 1,189,860</u>

Charleroi Area School District

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

NOTE G - EMPLOYEE RETIREMENT PLAN

The District contributes to the Public School Employees Retirement System, a Cost Sharing Multiple-Employer Defined Benefit Pension Plan that acts as a common investment and administrative agent for public schools within the Commonwealth of Pennsylvania. All full-time and part-time salaried employees are required to participate in the system. Part-time hourly and per diem employees may waive their right to participate.

The Public School Employee's Retirement Code (Act No. 96 of October 2, 1975, as amended) assigns the authority to establish and amend benefit provisions to the PSERS Board of Trustees. PSERS issues a publicly available financial report that includes financial statements and required supplementary information for the pension plan. This report may be obtained by writing to Public School Employee's Retirement; P.O. Box 125; Harrisburg, PA 17108-0125.

The District's contribution for the fiscal years ended June 30, 2014, 2013, and 2012 was based on 16.93%, 12.36%, and 8.65% of covered payroll, respectively. Employee rates applicable to the year ended June 30, 2014 were as follows:

Employee share dual	- Those hired after 7/21/83	7.50%
	- Those hired before 7/21/83	6.50%
Employee share joint	- Same rate for all employees	3.038%

Total payroll for the fiscal year ended June 30, 2014 was \$9,393,296, while payroll for employees covered by the Pension Plan amounted to \$8,792,689. Total District contributions to the Pension Plan for the fiscal year ended June 30, 2014 was \$1,488,602.

NOTE H - LONG-TERM LIABILITIES

The following summarizes the long-term debt obligations for the year ended June 30, 2014.¹

	Beginning ² Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Bonds					
1999 Revenue Bonds					
Current Interest Notes	\$ 95,000	\$ -	\$ -	\$ 95,000	\$ -
Compound Interest Notes	9,523,379	613,098	-	10,136,477	-
Total-1999 Revenue Bonds	9,618,379	613,098	-	10,231,477	-
2008 Refunding Series	8,680,000	-	(530,000)	8,150,000	1,960,000
2009 Series A	1,195,000	-	(1,195,000)	-	-
2009 Series B	13,950,000	-	(5,000)	13,945,000	5,000
2012 Mon Valley Vo-Tech	1,551,240	-	(50,290)	1,500,950	101,546
Total	\$ 34,994,619	\$ 613,098	\$ (1,780,290)	\$ 33,827,427	\$ 2,066,546

Charleroi Area School District

NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE H - LONG-TERM LIABILITIES - (Continued)

¹Annual interest rates change in fixed increments as determined at the time of issue.

²As adjusted – see Note N for further details.

The following is a brief description of the outstanding debt issues of the District during the year ended June 30, 2014. Each bond issue is rated “AAA/Insured” by Standard & Poor’s Ratings Services and the District is required to provide for the payment of principal and interest on the bonds in the District’s budget:

1. 1999 Revenue Bonds, Series C of 1999, principal amount of \$4,168,920 and face amount of \$15,950,000. Of this amount \$95,000 was issued as Current Interest Bonds. Interest is payable semi-annually on April 1st and October 1st at 6% interest. The Current Interest Bonds mature on October 1, 2017. The Compound Interest Notes will not bear current interest but will accrete in value from the date of original issue until the bonds mature at face value on their respective maturity dates, starting on October 1, 2018 and continuing annually through October 1, 2024
2. Refunding Series of 2008, principal amount of \$9,750,000. Interest is payable semi-annually on March 1st and September 1st. The bonds mature in lots on September 1st of each year through 2017.
3. General Obligation Bonds, Series A of 2009, principal amount of \$4,530,000. Interest is payable semi-annually on May 15th and November 15th. The bonds mature in lots on November 15th each year through 2013.
4. General Obligation Bonds, Series B of 2009, principal amount of \$13,950,000. Interest is payable semi-annually on May 15th and November 15th. The District receives a subsidy of 35% of the interest payable under the federal Build America Bonds program. The bonds mature in lots on November 15th each year starting in 2013 through 2033.
5. 2012 Mon Valley Vo-Tech – principal amount of \$1,551,240. On February 23, 2012, the District agreed to pay the Mon Valley Career and Technology Center this principal amount in connection with the issuance of their General Obligation Series of 2012. The District pays 19.34% of the principal and interest due on the Mon Valley bonds. Interest is payable semi-annually on March 1st and September 1st. The bonds mature in lots on September 1st each year starting in 2013 through 2026.

Charleroi Area School District

NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE H - LONG-TERM LIABILITIES - (Continued)

The aggregate amount of debt service requirements during the next five years and thereafter is as follows:

Year Ended June 30,	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 2,066,546	\$ 1,112,404
2016	2,133,480	1,044,571
2017	2,205,415	971,361
2018	2,288,316	891,948
2019	2,385,250	849,063
2020-2024	11,961,067	4,202,241
2025-2029	8,225,876	3,500,349
2030-2034	<u>8,280,000</u>	<u>1,280,400</u>
Subtotal	39,545,950	13,852,337
Interest	<u>(5,718,524)</u>	<u>5,718,524</u>
Totals	<u>\$33,827,426</u>	<u>\$19,570,861</u>

The following summarizes other long-term obligation activity for the year ended June 30, 2014.

	Payable at July 1, <u>2013</u>	<u>Issuance</u>	<u>Retirement</u>	Payable at June 30, <u>2014</u>
Governmental Activities				
Capital lease obligations	\$ -	\$ 410,448	\$ 199,764	\$ 210,684
Compensated absences	198,290	4,919	-	203,209
OPEB (see Note I)	<u>1,888,156</u>	<u>536,302</u>	<u>232,672</u>	<u>2,191,786</u>
Total	<u>\$ 2,086,446</u>	<u>\$ 951,669</u>	<u>\$ 432,436</u>	<u>\$ 2,605,679</u>

Leasing Activity

The District has recorded the following assets in the government-wide statement of net assets under capital lease obligations:

	Governmental Activities
Equipment	\$ 12,000
Vehicles	398,448

Charleroi Area School District

**NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014**

NOTE H - LONG-TERM LIABILITIES - (Continued)

The following schedule summarizes future minimum lease payments due.

Year Ended June 30,	Total Governmental <u>Activities</u>
2015	\$ 2,093
2016	105,431
2017	105,431
2018	2,093
2019	2,093
2020-2021	<u>3,316</u>
Totals	220,457
Interest Costs	<u>(9,773)</u>
Present value	<u>\$ 210,684</u>

The interest rates used to calculate the amount representing interest costs of approximately 2.5% to 5.5% obtained from the individual leases.

Minimum lease payments due within one year are reported as follows in the government-wide Statement of Net Assets.

Year Ended June 30,	Total Governmental <u>Activities</u>
2015	\$ 2,093
Less: Amount Representing Interest Cost	<u>602</u>
Present Value	<u>\$ 1,491</u>

Compensated Absences

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

Charleroi Area School District

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

NOTE H - LONG-TERM LIABILITIES - (Continued)

from expendable available financial resources, while the proprietary funds report a liability as it is incurred. The General Fund has been used to liquidate the accumulated liability for compensated absences.

NOTE I – POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description

In addition to the pension benefits described in Note G, the District provides other postemployment benefits (OPEB) under a single employer plan in the form of postretirement healthcare benefits, in accordance with the teacher's union contract, to all teachers who retire from the District on or after attaining a total of 30 years of service credit in the Public School Employee's Retirement System of which 15 years of service must be with the District. In addition Act 93 administrators and support personal retiring prior to being Medicare eligible are included in the plan provided they meet the service standards described above. The plan included 178 members of which 33 were receiving benefits as of the latest actuarial valuation date, July 1, 2012. The District maintains the same medical plans for its retirees as for its active employees, with the two general exceptions: once a retiree becomes eligible for Medicare, the District's obligation for providing healthcare benefits ends and retirees are required to pay for any increase over the health insurance premium in affect at the time of their retirement.

Funding Policy

The District's contributions are based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45, Accounting and Financial Reporting of Post Employment Benefits Other Than Benefits. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The Districts net payments of monthly retiree premiums of \$232,672 were applied toward the annual required contribution of \$536,302.

Annual OPEB Cost

The District's annual OPEB cost is based on the annual required contribution (ARC) of the District. The following table presents the annual OPEB cost for the year, the amount actually contributed to the plan, and the net OPEB obligation.

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/14	\$ 536,302	43%	\$ 303,630

Charleroi Area School District

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

NOTE I – POSTEMPLOYMENT HEALTHCARE BENEFITS – (Continued)

Funding Status and Funding Progress

The funded status of the plan as of July 1, 2012, the date of the latest actuarial valuation, was as follows:

Actuarial accrued liability (AAL)	\$ 6,070,162
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	\$ 6,070,162
 Funded ratio (actuarial value of plan assets/AAL)	 0.00%
 Covered payroll (active plan members)	 \$ 8,792,689
 UAAL as a percentage of covered payroll	 69.04%

Actuarial Methods and Assumptions

Actuarial valuations must make certain assumptions regarding the probability of occurrence of certain events such as employment turnover, retirement, and mortality, as well as economic assumptions regarding future healthcare costs and interest rates. Amounts determined regarding the funded status of the plan and the annual required contributions of the District are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

In the July 1, 2012 actuarial valuation, the entry age normal method was used. The actuarial assumptions included a discount rate of 4.0%, payroll growth rate of 0.0%, and an inflation rate of 8.0%, declining by 1% per year to 5% thereafter. The unfunded actuarial accrued liability is amortized over 30 years.

NOTE J – GENERAL FUND BUDGET

Differences arise between the Statement of Revenues, Expenditures, and Changes in Fund Balance – General Fund and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund for two main reasons: the District does not classify all of its activities in the General Fund budget as they would be classified under the modified basis of accounting and certain non-cash transactions are not recognized under the budgetary basis of accounting. For the current year, differences arose in the following categories:

Charleroi Area School District

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

NOTE J – GENERAL FUND BUDGET – (Continued)

The following table summarizes the effect of these differences between the budgetary basis of accounting and the modified accrual basis of accounting. The effect of the reclassifications effecting the Build America Bond Subsidy and Capital Leases are combined in the column labeled "Reclass". The effect of the first payment on the school bus lease is in the column labeled "Encumbered."

Selected Accounts	GAAP Basis	Reclass	Encumbered	Budget Schedule
<i>Revenues</i>				
Federal Sources	\$ 770,847	\$ (268,765)	\$ -	\$ 502,082
<i>Expenditures</i>				
Business Office	215,683	(11,302)	-	204,381
Transportation	1,379,111	(191,772)	(103,338)	1,084,001
Principal	1,980,054	(199,764)	-	1,780,290
Interest	1,170,319	(276,375)	-	893,944
<i>Other Financing Sources/Uses</i>				
Proceeds Capital Lease	410,448	(410,448)	-	-
Net Change in Fund Balances	(789,726)	-	103,338	(686,388)
Beginning Fund Balance	804,899		(103,338)	701,561

For the current year, differences arose in the following categories:

Build America Bonds

A portion of the interest expense for the General Obligation Bonds, Series B of 2009 is paid by the federal government through the Build America Bonds program. The District does not budget for this revenue since the custodian for the bonds receives this money directly from the federal government and the District is only responsible for the net interest expense on the bonds.

Capital Leases

The District only budgets for the payments due under a capital lease while the modified accrual basis of accounting used for the Statement of Revenues, Expenditures, and Changes in Fund Balance – General Fund, the District records a revenue, Proceeds from Capital

Charleroi Area School District

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

NOTE J – GENERAL FUND BUDGET – (Continued)

Leases for the value of the items acquired with an offsetting expenditure for these items. In this manner, the treatment of a capital lease is no different than other forms of financing, i.e. loans, etc. Under this treatment, the payments on a capital lease are recorded principal and interest payments.

Initial Payment of 2013/2014 Bus Lease

For budget purposes, the District recorded the first payment on the bus lease in the prior year's budget. As explained more fully in Note N to the financial statements, the District did not incur a liability for the bus lease until the current year and this payment was recorded as such in the Statement of Revenues, Expenditures, and Changes in Fund Balance – General Fund.

NOTE K - CONTINGENCIES

The District participates in a number of federal and state assisted grant programs. These grants are generally subject to program compliance audits by the grantors. The audits of some of these programs for and including the year ended June 30, 2014 have not yet been conducted. Such audits could result in expenditures being disallowed and funds being due back to the grantor agencies. Accordingly, the District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts to be immaterial.

NOTE L - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters, as well as from workers' compensation and health care programs. These risks are covered by commercial insurance purchased from independent third parties.

The District is a member of the Intermediate Unit 1 Health Consortium Trust (the "Consortium"). The Consortium is a public entity risk pool designed to formulate, develop, and administer, on behalf of its subscribers, a program of insurance, to obtain lower costs for coverage, to reward subscribers for lower usage of the coverage, to establish a continuing voice with Blue Cross/Blue Shield, and to manage the Consortium's healthcare dollar most effectively. All school districts and vocational-technical schools serviced by the Intermediate Unit 1 of Fayette, Greene, and Washington Counties are eligible to participate in the Consortium.

Charleroi Area School District

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

NOTE L - RISK MANAGEMENT – (Continued)

The District estimates that the amount of actual or potential claims against the District as of June 30, 2014 will not materially affect the financial condition of the District and will be covered under the present insurance coverage. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

NOTE M – OIL AND GAS LEASE

On February 25, 2014, the District agreed to enter into an oil, gas, and coalbed methane lease. The lessee paid the District \$283,850 for a paid-up lease lasting five years. Among other things, the lease entitles the District to royalties of 17% of the net amount paid for all oil and gas produced, saved and sold by the lessee. The net amount is defined in the lease as gross proceeds less the District's pro-rata share of post-production costs which are in essence is all activity occurring after the minerals are extracted from the ground. In addition, the lease includes provisions for payment by the lessee in the event of adverse and permanent damage to the District's water supply and prohibition of disposal of salt water or other substances on the leasehold without the District's written consent.

NOTE N – CORRECTION OF MISSTATEMENTS

During the current year, the District made the following adjustments to the beginning general fund balance as of June 30, 2013

2013/2014 Bus Lease – On August 21, 2013, the District entered into a capital lease to purchase five buses. During the prior year, the District recorded a payable for the first payment under the lease of \$103,338 even though this payment was not due until August 30, 2013 and the buses were not delivered to the District until August of 2013. The reversal of this payable increased the beginning fund balance by \$103,338.

Accounts Payable – during the current year, the District discovered an ongoing difference between the balance recorded for accounts payable in the general ledger of the District and the detail of this balance in the amount of \$387,000. The recognition of this difference decreased the beginning fund balance by \$387,000.

The following schedule summarizes the effect of these adjustments:

General Fund Balance – As Originally Reported	\$ 1,088,561
Add: 2013/2014 Bus Lease Adjustment	103,338
Less: Accounts Payable Adjustment	<u>(387,000)</u>
Total Adjustments	<u>(283,662)</u>
General Fund Balance – As Adjusted	<u>\$ 804,899</u>

Charleroi Area School District

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

NOTE N – CORRECTION OF MISSTATEMENTS – (Continued)

During the current year, the District made the following adjustments to the beginning net position of governmental activities as of June 30, 2013

1999 Compound Interest Notes – these bonds were issued as deep-discount bonds. Each year interest expense is recognized as described in the bond documents and added to the outstanding balance of the bonds. As of June 30, 2013, the District recognized excess interest of \$1,250,776 for these bonds. The reversal of this excess interest expense increased net position by \$1,250,776.

2012 Mon Valley Vo-Tech Bonds – as described more fully in Note H to the financial statements, the District previously entered into an agreement to pay a portion of the debt service on these bonds. The principal portion of these bonds to be paid by the District as of June 30, 2013 was \$1,551,240. The addition of this liability by the District decreased net position by \$1,551,240.

Accrued Interest Payable – during the current year, the District discovered the accrued interest payable as of June 30, 2013 should have been \$211,221 instead of \$95,937 as was recorded in the previously issued financial statements. The effect of adjusting the balance of accrued interest payable decreased the net position by \$115,284.

The following schedule summarizes the effect of the adjustments to beginning net position for governmental activities:

Gov't Activities Net Position – As Originally Reported	\$ (920,794)
Add: 1999 Compound Interest Notes Adjustment	1,250,776
Less: General Fund Balance Adjustments	(283,662)
2012 Mon Valley Vo-Tech Adjustment	(1,551,240)
Accrued Interest Adjustment	(115,284)
Removal of Bond Issue Costs (See Note A)	(779,155)
Gov't Activities Net Position – As Adjusted	<u>\$ (2,399,359)</u>

NOTE O – SUBSEQUENT EVENT

On October 22, 2014 the District issued the General Obligation Bonds, Refunding Series of 2014 in the amount of \$6,190,000 for the purpose of refunding the General Obligation Bonds, Refunding Series of 2008. The effect of this transaction will lead to a decrease in the total debt service payments over the next three years by \$94,845 and the District obtained an economic gain (the difference between the present values of the old and new debt service payments) of \$91,813.

Charleroi Area School District

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
June 30, 2014**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability(AAL) -Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL As A Percentage Of Covered Payroll ((B-A)/C)
<i>Postemployment Benefits</i>						
7/1/2012	\$ -	\$ 6,070,162	\$ 6,070,162	0.0%	\$ 8,792,689	69.04%

Charleroi Area School District

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
June 30, 2014

Postemployment Benefits

<u>Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage of Annual Required Contribution Recognized in Plan Assets for that Year</u>
June 30, 2014	\$ 536,302	43%
June 30, 2013	536,302	48%
June 30, 2012	698,953	51%
June 30, 2011	709,277	52%
June 30, 2010	814,087	45%
June 30, 2009	814,087	41%

Charleroi Area School District
Required Supplementary Information
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2014

	Budgeted Amount			Variance
	Original	Final	Actual	Over (Under)
REVENUES				
Local Sources				
Taxes				
Current Real Estate Taxes	\$ 6,580,393	\$ 6,000,973	\$ 5,924,488	\$ (76,485)
Interim Real Estate Taxes	15,000	15,000	20,864	5,864
Public Utility Realty Tax	10,500	10,500	9,818	(682)
Payments in Lieu of Taxes - Local	11,250	11,250	10,684	(566)
Current Per Capita Taxes, §679	35,000	35,000	31,721	(3,279)
Current Act 511 Per Capita Taxes	32,500	32,500	12,768	(19,732)
Earned Income Taxes	995,000	900,000	993,159	93,159
Real Estate Transfer Taxes	-	80,000	150,546	70,546
Mercantile Taxes	-	65,000	42,683	(22,317)
Delinquencies on Taxes Levied	689,000	689,000	855,124	166,124
Earnings on Investments	1,100	1,100	2,960	1,860
Other Local Revenues				
Federal IDEA - Pass Through Rev	250,000	250,000	203,190	(46,810)
Federal Access - Pass Through Rev	-	-	2,395	2,395
Rentals	20,000	10,000	41,380	31,380
Tuition	30,000	30,000	9,750	(20,250)
Proceeds of Gas Lease	-	-	283,850	283,850
Donations	30,500	30,500	9,523	(20,977)
Student Activities	38,700	35,500	22,419	(13,081)
Miscellaneous Revenue	33,500	11,700	15,422	3,722
Total Revenue from Local Sources	8,772,443	8,208,023	8,642,744	434,721
State Sources				
Basic Instruct. & Operating Subsidies				
Basic Instructional Subsidy	7,402,714	7,419,933	7,414,771	(5,162)
Charter Schools	-	73,102	-	(73,102)
Subsidies for Special Education				
Funding for School Aged Pupils	1,031,380	1,036,962	1,036,975	13
Subsidies for Noneducational Programs				
Driver's Education	2,000	2,000	-	(2,000)
Transportation	585,000	585,000	475,524	(109,476)
Rental and Sinking Fund Payment	860,570	860,570	860,349	(221)
Health Services	28,000	28,000	42,573	14,573
Property Tax Reduction Allocation	-	643,800	643,905	105
PA Accountability Grants	120,235	120,235	120,235	-
Extra Grants	75,896	-	-	-
Social Security Payments	470,000	470,000	460,671	(9,329)
State Retirement Revenue	470,000	470,000	746,848	276,848
Total Revenue from State Sources	11,045,795	11,709,602	11,801,851	92,249
Federal Sources				
Restricted Grants-In-Aid from				
Gov't through the Commonwealth				
Title I	378,314	378,314	406,179	27,865
Title II	99,436	99,436	95,903	(3,533)
Medical Access	128,000	98,000	-	(98,000)
Total Revenue from Federal Sources	605,750	575,750	502,082	(73,668)
TOTAL REVENUES	20,423,988	20,493,375	20,946,677	453,302

Charlevoix Area School District
Required Supplementary Information
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2014

	Budgeted Amount			Variance
	Original	Final	Actual	Over (Under)
EXPENDITURES				
Instruction				
Regular Program				
Personal Services				
Salaries	\$ 5,298,132	\$ 5,298,132	\$ 5,251,181	\$ (46,951)
Employee Benefits	2,864,842	2,864,842	2,686,126	(178,716)
Purchased Prof. & Tech. Services	41,100	41,100	114,943	73,843
Purchased Property Services	108,700	108,700	89,199	(19,501)
Other Purchased Services	276,850	276,850	269,819	(7,031)
Supplies	219,508	219,508	223,591	4,083
Other Objects	5,447	5,447	23,303	17,856
Total Regular Programs	8,814,579	8,814,579	8,658,162	(156,417)
Special Programs				
Personal Services				
Salaries	985,945	985,945	929,644	(56,301)
Employee Benefits	354,183	354,183	408,568	54,385
Purchased Prof. & Tech. Services	933,110	933,110	1,631,614	698,504
Purchased Property Services	350	350	-	(350)
Other Purchased Services	183,700	183,700	427,269	243,569
Supplies	9,944	9,944	5,937	(4,007)
Property	-	-	1,674	1,674
Other Objects	540	540	1,815	1,275
Total Special Programs	2,467,772	2,467,772	3,406,521	938,749
Vocational Programs				
Personal Services				
Salaries	-	-	3,270	3,270
Employee Benefits	-	-	830	830
Other Purchased Services	356,313	356,313	357,697	1,384
Total Vocational Programs	356,313	356,313	361,797	5,484
Other Instructional Programs				
Personal Services				
Salaries	88,550	88,550	24,839	(63,711)
Employee Benefits	38,582	38,582	20,696	(17,886)
Purchased Prof. & Tech. Services	1,750	1,750	1,055	(695)
Purchased Property Services	150	150	-	(150)
Other Purchased Services	117,000	117,000	171,213	54,213
Total Other Instructional Programs	246,032	246,032	217,803	(28,229)
Nonpublic School Programs				
Personal Services				
Salaries	-	-	1,928	1,928
Purchased Prof. & Tech. Services	-	-	3,667	3,667
Supplies	2,500	2,500	-	(2,500)
Total Higher Education Programs	2,500	2,500	5,595	3,095
Total Instruction	11,887,196	11,887,196	12,649,878	762,682

Charlrooi Area School District
Required Supplementary Information
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2014

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Over</u> <u>(Under)</u>
Support Services				
Pupil Personnel				
Personal Services				
Salaries	\$ 370,028	\$ 370,028	\$ 387,622	\$ 17,594
Employee Benefits	132,591	132,591	161,278	28,687
Purchased Prof. & Tech. Services	177,230	177,230	108,585	(68,645)
Purchased Property Services	1,000	1,000	1,084	84
Other Purchased Services	2,396	2,396	1,627	(769)
Supplies	5,970	5,970	4,521	(1,449)
Other Objects	660	660	584	(76)
Total Pupil Personnel	<u>689,875</u>	<u>689,875</u>	<u>665,301</u>	<u>(24,574)</u>
Instructional Staff				
Personal Services				
Salaries	195,125	195,125	236,610	41,485
Employee Benefits	98,531	98,531	125,153	26,622
Purchased Prof. & Tech. Services	5,000	5,000	12,245	7,245
Purchased Property Services	2,806	2,806	-	(2,806)
Other Purchased Services	-	-	4,332	4,332
Supplies	12,720	12,720	13,717	997
Other Objects	-	-	199	199
Total Instructional Staff	<u>314,182</u>	<u>314,182</u>	<u>392,256</u>	<u>78,074</u>
Administration				
Personal Services				
Salaries	691,928	700,916	732,150	31,234
Employee Benefits	394,108	394,108	340,503	(53,605)
Purchased Prof. & Tech. Services	44,200	44,200	59,893	15,693
Purchased Property Services	6,500	6,500	6,348	(152)
Other Purchased Services	44,426	44,426	35,644	(8,782)
Supplies	41,055	41,055	31,716	(9,339)
Property	-	-	14,840	14,840
Other Objects	6,133	6,133	12,520	6,387
Total Administration	<u>1,228,350</u>	<u>1,237,338</u>	<u>1,233,614</u>	<u>(3,724)</u>
Pupil Health				
Personal Services				
Salaries	92,867	92,867	97,773	4,906
Employee Benefits	41,693	41,693	57,715	16,022
Purchased Prof. & Tech. Services	89,600	89,600	88,291	(1,309)
Purchased Property Services	500	500	686	186
Other Purchased Services	-	-	12	12
Supplies	4,167	4,167	4,488	321
Total Pupil Health	<u>228,827</u>	<u>228,827</u>	<u>248,965</u>	<u>20,138</u>

Charlottesville Area School District
Required Supplementary Information
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2014

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Business				
Personal Services				
Salaries	\$ 103,643	\$ 104,504	\$ 95,197	\$ (9,307)
Employee Benefits	63,777	63,777	61,735	(2,042)
Purchased Prof. & Tech. Services	12,500	12,500	8,012	(4,488)
Purchased Property Services	10,000	10,000	10,555	555
Other Purchased Services	3,500	3,500	2,775	(725)
Supplies	25,000	25,000	18,818	(6,182)
Other Objects	7,500	7,500	7,289	(211)
Total Business	<u>225,920</u>	<u>226,781</u>	<u>204,381</u>	<u>(22,400)</u>
Operation & Maintenance of Plant Serv.				
Personal Services				
Salaries	641,808	642,268	701,453	59,185
Employee Benefits	310,809	310,809	347,505	36,696
Purchased Prof. & Tech. Services	111,000	111,000	56,661	(54,339)
Purchased Property Services	110,000	110,000	131,826	21,826
Other Purchased Services	76,500	76,500	72,961	(3,539)
Supplies	367,350	367,350	365,668	(1,682)
Property	16,000	16,000	53,811	37,811
Other Objects	200	200	-	(200)
Total Operation & Maintenance of Plant	<u>1,633,667</u>	<u>1,634,127</u>	<u>1,729,885</u>	<u>95,758</u>
Student Transportation Services				
Personal Services				
Salaries	452,506	453,400	423,241	(30,159)
Employee Benefits	186,514	186,514	217,837	31,323
Purchased Prof. & Tech. Services	11,300	11,300	1,050	(10,250)
Purchased Property Services	18,300	18,300	15,424	(2,876)
Other Purchased Services	100,600	100,600	93,552	(7,048)
Supplies	191,000	191,000	209,365	18,365
Property	101,136	101,136	123,193	22,057
Other Objects	500	500	339	(161)
Total Student Transportation Services	<u>1,061,856</u>	<u>1,062,750</u>	<u>1,084,001</u>	<u>21,251</u>
Central Services				
Personal Services				
Salaries	110,484	111,256	114,642	3,386
Employee Benefits	68,272	68,272	58,498	(9,774)
Purchased Prof. & Tech. Services	16,800	16,800	16,884	84
Purchased Property Services	35,080	35,080	21,107	(13,973)
Other Purchased Services	35,450	35,450	35,129	(321)
Supplies	146,183	146,183	126,917	(19,266)
Property	75,000	75,000	53,017	(21,983)
Total Central Services	<u>487,269</u>	<u>488,041</u>	<u>426,194</u>	<u>(61,847)</u>
Other Support Services				
Supplies	-	-	11,359	11,359
Total Other Support Services	<u>-</u>	<u>-</u>	<u>11,359</u>	<u>11,359</u>
Total Support Services	<u>5,869,946</u>	<u>5,881,921</u>	<u>5,995,956</u>	<u>114,035</u>

Charleroi Area School District
Required Supplementary Information
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2014

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Noninstructional Services				
Student Activities				
Personal Services				
Salaries	\$ 171,362	\$ 171,362	\$ 178,760	\$ 7,398
Employee Benefits	33,200	33,200	42,702	9,502
Purchased Prof. & Tech Services	72,875	72,875	65,250	(7,625)
Purchased Property Services	3,300	3,300	9,715	6,415
Other Purchased Services	7,230	7,230	4,115	(3,115)
Supplies	36,761	36,761	56,799	20,038
Other Objects	5,505	5,505	5,394	(111)
Total Special Activities	330,233	330,233	362,735	32,502
Community Services				
Supplies	-	-	2,000	2,000
Other Objects	3,000	3,000	3,000	-
Total Community Services	3,000	3,000	5,000	2,000
Total Noninstructional Services	333,233	333,233	367,735	34,502
Other Expenditures				
Debt Service				
Interest	839,734	839,734	893,944	54,210
Principal	1,780,000	1,780,000	1,780,290	290
Total Debt Service	2,619,734	2,619,734	2,674,234	54,500
Other				
Refund of Prior Years Revenue	-	-	21,171	21,171
Total Other	-	-	21,171	21,171
Total Other Expenditures	2,619,734	2,619,734	2,695,405	75,671
TOTAL EXPENDITURES	20,710,109	20,722,084	21,708,974	986,890
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(286,121)	(228,709)	(762,297)	(533,588)
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	-	(163)	(163)
Sale of Capital Assets	-	-	17,000	17,000
Refund of Prior Year's Expense	-	25,000	59,072	34,072
TOTAL OTHER FINANCING FINANCING SOURCES (USES)	-	25,000	75,909	50,909
NET CHANGE IN FUND BALANCE	(286,121)	(203,709)	(686,388)	(482,679)
Fund Balance - Beginning	650,000	650,000	701,561	51,561
Fund Balance - Ending	\$ 363,879	\$ 446,291	\$ 15,173	\$ (431,118)

Charleroi Area School District

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2014**

**NOTE A - IDENTIFICATION AND SUMMARY OF SIGNIFICANT
ACTUARIAL METHODS AND ASSUMPTIONS**

Postemployment Benefits

Valuation date	July 1, 2012
Actuarial cost method	Entry Age Normal
Amortization period	30 Years
Asset valuation method	Fair Value
Actuarial assumptions	
Inflation rate	8.0%
Investment rate of return	4.0%
Projected salary increases	0.0%

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Charleroi Area School District

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2014

<u>Federal Granting Agency / Program</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Child Nutrition Cluster		
U.S. Department of Agriculture:		
Passed through Pennsylvania Department of Education		
National School Lunch Program	10.555	\$ 312,683
School Breakfast Program	10.553	89,868
Summer Food Service Program for Children	10.559	5,163
Passed through Pennsylvania Department of Agriculture		
National School Lunch Program	10.555	<u>30,811</u>
Total U.S. Department of Agriculture		<u>438,525</u>
Total Child Nutrition Cluster		<u>438,525</u>
Special Education Cluster (IDEA)		
U.S. Department of Education		
Passed through Intermediate Unit I		
IDEA, Part B	84.027	<u>202,117</u>
Total U.S. Department of Education		<u>202,117</u>
Total Special Education Cluster (IDEA)		<u>202,117</u>
Other Programs		
U.S. Department of Agriculture		
Passed through Pennsylvania Department of Education		
Child and Adult Care Food Program	10.558	<u>11,246</u>
Total U.S. Department of Agriculture		<u>11,246</u>

See accompanying notes to schedule of expenditures of federal awards

Charleroi Area School District

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2014

<u>Federal Granting Agency / Program</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<i>Continued</i>		
Other Programs - Continued		
U.S. Department of Education		
Passed through Pennsylvania Department of Education		
Title I - Improving Basic Programs	84.010	\$ 345,776
Title II - Improving Teacher Quality	84.367	<u>95,903</u>
Total U.S. Department of Education		<u>441,679</u>
Total Expenditures of Federal Awards		<u>\$ 1,093,567</u>

See accompanying notes to schedule of expenditures of federal awards

Charleroi Area School District

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2014

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Charleroi Area School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

OTHER REPORTS OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS



CASE | SABATINI

PROFESSIONAL ACCOUNTING,
CONSULTING & BUSINESS
ADVISORY SERVICES

March 19, 2015

The Board of Directors
Charleroi Area School District
Charleroi, Pennsylvania

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE
A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

Independent Auditor's Report

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WHITEHALL TOWERS
470 STREETS RUN ROAD
PITTSBURGH, PA 15236-2023

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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 Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014. Charleroi Area School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Charleroi Area School District's management.

Auditor's Responsibility

Our responsibility is to express an opinion on Charleroi Area School District's compliance with the applicable compliance requirements based on our compliance audit.

We conducted our compliance audit 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 U.S. Office of Management and Budget 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 compliance 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 compliance audit includes examining, on a test basis, evidence about Charleroi Area School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our compliance audit provides a reasonable basis for our opinion. Our compliance audit does not provide a legal determination on Charleroi Area School District's compliance with those requirements.

Opinion

In our opinion, Charleroi Area School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

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 compliance audit, we considered Charleroi Area School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program as a basis for designing our compliance 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 Charleroi Area School District's internal control over compliance.

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

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 in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Restricted Use

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



Certified Public Accountants
Pittsburgh, PA



CASE | SABATINI

PROFESSIONAL ACCOUNTING,
CONSULTING & BUSINESS
ADVISORY SERVICES

March 19, 2015

The Board of Directors
Charleroi Area School District
Charleroi, Pennsylvania

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**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**

Independent Auditor's Report

We have audited the basic financial statements of Charleroi Area School District as of and for the year ended June 30, 2014, and have issued our report thereon dated March 19, 2015. 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

Management of Charleroi Area School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Charleroi Area School 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 Charleroi Area School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Charleroi Area School District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency,

or combination of deficiencies, in internal control such that there is 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 the 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.

Compliance and Other Matters

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

Restricted Use

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



Certified Public Accountants
Pittsburgh, PA

Charleroi Area School District

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:
Material weaknesses identified? no
Significant deficiencies identified that are
not considered to be material weaknesses? no

Noncompliance material to financial statements
noted? no

Federal Awards

Internal control over major programs:
Material weaknesses identified? no
Significant deficiencies identified that are
not considered to be material weaknesses? no

Type of auditor's report issued on compliance
for major programs: unqualified

Any audit findings disclosed that are required
to be reported in accordance with section 510(a)
of OMB Circular A-133? no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.555	Child Nutrition Cluster
10.553	National School Lunch Program
10.559	School Breakfast Program
	Summer Food Service Program for Children
84.010	Title I – Improving Basic Programs

Dollar threshold used to distinguish
between type A and type B programs: \$ 300,000

Auditee qualified as low risk auditee? no

Charleroi Area School District

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014
(Continued)

Section II - Financial Statement Findings

No findings noted.

Section III - Federal Award Findings and Questioned Costs

No findings noted.

Charleroi Area School District

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2014

Finding 2013-1

Summary: Sec. 320(a) of OMB Circular A-133 required the reporting package and data collection form to be submitted to the Federal Audit Clearinghouse within nine months after the end of the audit period.

Status: Resolved.

SUPPLEMENTARY INFORMATION

**Charleroi Area School District
Balance Sheet
Other Governmental Funds
June 30, 2014**

	Capital Projects Fund	Total-Other Governmental Funds
ASSETS		
Cash and cash equivalents	\$ 2,827	\$ 2,827
Investments	-	-
Total assets	<u>\$ 2,827</u>	<u>\$ 2,827</u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 469	\$ 469
Due to other funds	-	-
Total liabilities	<u>469</u>	<u>469</u>
 Fund balances:		
Restricted for:		
Capital Projects	2,358	2,358
Unassigned	-	-
Total fund balances	<u>2,358</u>	<u>2,358</u>
Total liabilities and fund balances	<u>\$ 2,827</u>	<u>\$ 2,827</u>

The accompanying notes are an integral part of this financial statement.

Charleroi Area School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Other Governmental Funds
For the Year Ended June 30, 2014

	Capital Projects Fund	Total-Other Governmental Funds
REVENUES		
Local revenues	\$ -	\$ -
Investment earnings	33	33
Total revenues	33	33
EXPENDITURES		
Current Operating: Operation of Plant	52,950	52,950
Total Expenditures	52,950	52,950
Excess (deficiency) of revenues over expenditures	(52,917)	(52,917)
OTHER FINANCING SOURCES (USES)		
Transfers in	163	163
Transfers out	-	-
Total expenditures and other financing sources	163	163
Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	(52,754)	(52,754)
Fund balances - beginning	55,112	55,112
Fund balances - ending	\$ 2,358	\$ 2,358

The accompanying notes are an integral part of this financial statement.

Charleroi Area School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2014

Student Activity Fund

	<u>June 30, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2014</u>
ASSETS				
Current Assets:				
Cash and Deposits	\$ 86,319	\$ 223,061	\$ 217,038	\$ 92,342
Other Receivables	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 86,319</u>	<u>\$ 223,061</u>	<u>\$ 217,038</u>	<u>\$ 92,342</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Other Current Liabilities	<u>86,319</u>	<u>223,061</u>	<u>217,038</u>	<u>92,342</u>
Total liabilities	<u>\$ 86,319</u>	<u>\$ 223,061</u>	<u>\$ 217,038</u>	<u>\$ 92,342</u>

The accompanying notes are an integral part of this financial statement.