

# CHARLEROI AREA SCHOOL DISTRICT

CHARLEROI, PENNSYLVANIA

ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2015



## Cypher & Cypher

Accountants | Auditors | Advisors

CHARLEROI AREA SCHOOL DISTRICT

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**Independent Auditor's Report**

Charleroi Area School District  
Charleroi, Pennsylvania

Ladies and Gentlemen:

**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, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 School District's preparation and fair presentation of the financial statements in order to design the audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District'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 Charleroi Area School District as of June 30, 2015 and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on Pages i through ix be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Charleroi Area School District's basic financial statements. The statement of changes in assets and liabilities – agency funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The statement of changes in assets and liabilities – agency funds and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 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 September 25, 2015, on our consideration of Charleroi Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Charleroi Area School District's internal control over financial reporting and compliance.

CYPHER & CYPHER

A handwritten signature in black ink, appearing to read "Cypher & Cypher", written in a cursive, stylized font.

CERTIFIED PUBLIC ACCOUNTANTS

Canonsburg, Pennsylvania  
September 25, 2015

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## Management's Discussion and Analysis

**CHARLEROI AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

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, 2015.

**FINANCIAL HIGHLIGHTS**

- The liabilities of the District exceeded its assets at the close of the most recent fiscal year by \$25,085,120 (*net position*). The District's total net position increased by \$320,748. This increase is primarily attributable to the decrease in instructional costs.
- Total revenues of \$21,834,693 were comprised of local revenues in the amount of \$8,417,845, or 39 percent, state sources of \$12,869,405 or 59 percent and federal revenues in the amount of \$547,443, or 3 percent.
- For the year ended June 30, 2015, the District had \$ 14,873,524 in expenses related to governmental activities. General revenues (primarily taxes and state funding programs) of \$15,202,256 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 \$411,771, an increase of \$394,240, in comparison with the prior year.
- At the end of the current fiscal year, the fund balance is comprised of 3 categories: non-spendable = \$89,857, committed= \$2,828, and unassigned = \$319,086. The total amounts to \$411,771, or 2 percent of total general fund expenditures.
- The District's total Long-Term Liabilities increased \$28,260,000 due to the GASB (General Accounting Standards Board) pronouncement 65, stating that Districts must include the Net Pension Liability on the Financial Statements for audits ending June 30, 2015 and forward. The portion of the total \$28,260,000 (approximately 50%) contributed by the state of Pennsylvania, is not reflected in the amount recorded.
- 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 \$1,044,911 or 3 percent, during the current fiscal year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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



**CHARLEROI AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

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 assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* provides information showing how the District's net 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, 2015**

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 funds* are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses food service funds to account for its food service programs, employee salaries and benefits and related costs and services.

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

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

**Notes to the financial statements.** The notes provide additional information that is essential to fully understanding the data provided 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 non-major governmental funds are presented immediately following the notes to the financial statements.

**CHARLEROI AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

**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 \$25,085,120 at the close of the most recent fiscal year.

A portion of the District's net position, \$4,054,957 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, \$2,828 reflects its restricted net position for capital projects.

**Summary of Net Position**

	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>Percentage Change</u>
Current and Other Assets	\$ 3,716,287	\$ 9,324,904	150.9%
Capital Assets	\$ 32,902,940	\$ 31,986,251	-2.8%
Deferred Outflows of Resources	\$ -	\$ 2,938,045	n/a
<b>Total Assets</b>	<b>\$ 36,619,227</b>	<b>\$ 44,249,200</b>	<b>20.8%</b>
Long-Term Liabilities	\$ 36,433,106	\$ 63,816,976	75.2%
Other Liabilities	\$ 3,261,846	\$ 3,350,285	2.7%
Deferred Inflows of Resources	\$ -	\$ 2,167,059	n/a
<b>Total Liabilities</b>	<b>\$ 39,694,952</b>	<b>\$ 69,334,320</b>	<b>74.7%</b>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	\$ 365,781	\$ 4,054,958	1008.6%
Restricted	\$ 2,358	\$ 2,828	19.9%
Unrestricted	\$ (3,443,864)	\$ (29,142,906)	-746.2%
<b>Total Net Position</b>	<b>\$ (3,075,725)</b>	<b>\$ (25,085,120)</b>	<b>-715.6%</b>

**CHARLEROI AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

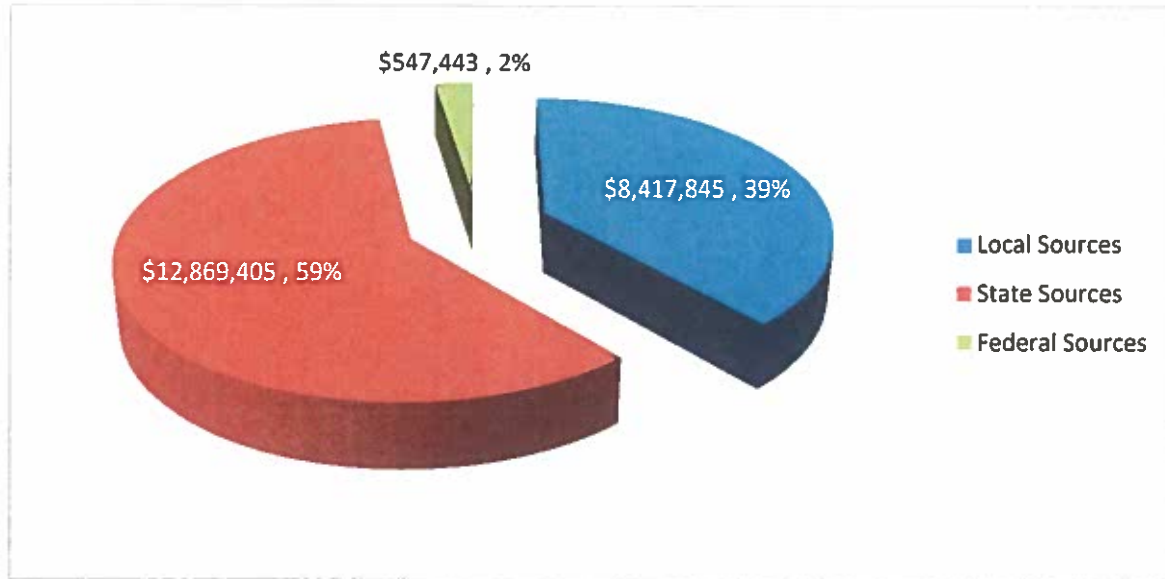
**Summary of Changes in Net Position**

	For the Fiscal Year Ended		Percentage Change
	June 30, 2014	June 30, 2015	
<b>Revenues</b>			
Charges for Services	\$ 324,086	\$ 356,434	10.0%
Operating Grants	\$ 5,258,353	\$ 6,448,703	22.6%
Taxes	\$ 7,883,214	\$ 8,062,705	2.3%
Unrestricted Grants	\$ 8,058,676	\$ 6,917,439	-14.2%
Investment Earnings	\$ 3,000	\$ 6,249	108.3%
Other	\$ 393,318	\$ 215,863	-45.1%
<b>Total Revenues</b>	<b>\$ 21,920,647</b>	<b>\$ 22,007,393</b>	<b>0.4%</b>
<b>Expenses</b>			
Instruction	\$ 13,399,998	\$ 12,510,880	-6.6%
Instructional Student Support	\$ 1,391,860	\$ 1,326,180	-4.7%
Administrative	\$ 1,926,495	\$ 2,005,657	4.1%
Plant Expenses	\$ 1,778,359	\$ 1,683,513	-5.3%
Pupil Transportation	\$ 1,127,814	\$ 1,078,334	-4.4%
Student Activities	\$ 598,606	\$ 623,345	4.1%
Community Service	\$ 5,000	\$ 3,000	-40.0%
Interest Expense	\$ 1,775,497	\$ 1,667,368	-6.1%
Food Service	\$ 776,749	\$ 788,368	1.5%
<b>Total Expenses</b>	<b>\$ 22,780,378</b>	<b>\$ 21,686,645</b>	<b>-4.8%</b>
Change in Net Position	\$ (859,731)	\$ 320,748	137.3%
Net Position - Beginning	\$ (737,429)	\$ (2,215,994)	n/a
Adjustments	\$ -	\$ (28,760,667)	n/a
Net Position - Restated	\$ (737,429)	\$ (30,976,661)	n/a
Prior Period Adjustments	\$ (1,478,565)	\$ 5,570,793	n/a
Net Position - As Adjusted	\$ (2,215,994)	\$ (25,405,868)	n/a
Fund Balance - Ending	\$ (3,075,725)	\$ (25,085,120)	n/a

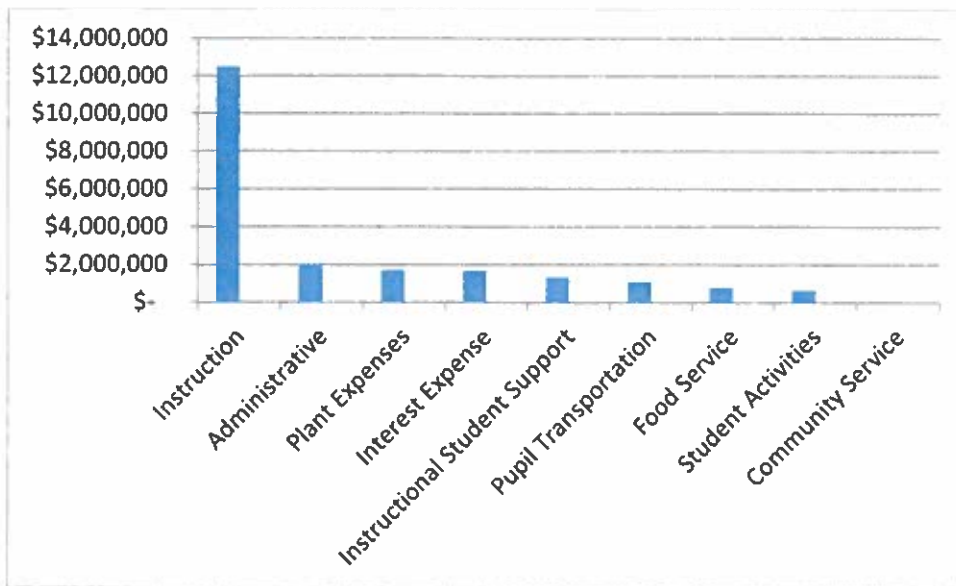
At the end of the current fiscal year, the District is able to report positive balances in two of the three categories of net position. The District's net position increased in total by \$ 5,891,541 during the current fiscal year, primarily as a result of a prior period adjustment (\$5,570,793) and a reduction of expenditures (\$320,748 or 5%).

# CHARLEROI AREA SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

## Revenues by Source – Statement of Activities



## Expenses by Type – Statement of Activities



*Instruction – 58%*  
*Administrative – 9%*  
*Plant Expenses – 8%*  
*Interest Expense – 8%*  
*Inst. Student Sup – 6%*  
*Transportation – 5%*  
*Food Service – 4%*  
*Student Activities – 3%*  
*Community Svc – .01%*

**CHARLEROI AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

**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 \$411,711, an increase of \$394,180 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 increased by \$393,770. The reasons for this increase 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 \$2,828, all of which is reserved for specific capital projects. The net increase in fund balance during the current year in the capital projects fund was \$470.

**General Fund Budgetary Highlights**

There are no differences between the original budget and the final amended budget.

The General Fund actual revenues exceeded budgeted revenues by \$413,551. This excess was attributable to an increase in the state share of FICA & Retirement contributions. The General Fund actual expenditures were more than the appropriations by \$194,611. This increase was primarily due to increased spending on special education. Overall, the District was able to reduce total expenditures, (primarily due to decreased Instruction costs), by 5%.

**Capital Asset and Debt Administration**

**Capital assets.** The District's investment in capital assets as of June 30, 2015, amounts to \$31,953,483 (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 3 percent.

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

- Computer and other Technology Upgrades
- Buses and vans for Pupil Transportation

**CHARLEROI AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

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

	Governmental Activities	
	June 30, 2014	June 30, 2015
Land	\$ 637,195	\$ 637,195
Buildings	30,659,220	29,673,311
Vehicles	681,548	745,142
Infrastructure	434,991	421,974
Machinery and Equipment	453,308	475,861
Total Capital Assets	<u>\$ 32,866,262</u>	<u>\$ 31,953,483</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 2015.

**Summary of Outstanding Debt**

	Governmental Activities	
	June 30, 2014	June 30, 2015
GOB, Series B of 2009	\$ 13,945,000	\$ 13,940,000
GOB, Series 2014 (2008 refunded)	8,150,000	6,150,000
1999 Guaranteed Revenue Bonds	10,231,477	10,902,044
2012 Mon Valley CTC	1,500,950	1,399,404
Total Debt	<u>\$ 33,827,472</u>	<u>\$ 32,391,448</u>

**CHARLEROI AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

The District's underlying rating from Moody's Investor's Service is Baa3, with a post-default enhanced rating of Baa1. 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.





## Basic Financial Statements

CHARLEROI AREA SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2015

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 2,061,485	\$ 33,747	\$ 2,095,232
Investments	469,221	204	469,425
Taxes Receivable (net)	1,095,691		1,095,691
Due from Other Governments	718,767	10,628	729,395
Other Receivables	117,258	58,918	176,176
Inventories		10,289	10,289
Prepaid Expenses/Expenditures	89,857		89,857
Long Term Receivables	4,658,838		4,658,838
Capital Assets (net)	31,953,483	32,769	31,986,252
<b>TOTAL ASSETS</b>	<u>\$ 41,164,600</u>	<u>\$ 146,555</u>	<u>\$ 41,311,155</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Related	2,938,045		2,938,045
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>2,938,045</u>	<u>-</u>	<u>2,938,045</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 44,102,645</u>	<u>\$ 146,555</u>	<u>\$ 44,249,200</u>
<b>LIABILITIES</b>			
Internal Balances	\$ 36,399	\$ (36,399)	\$
Accounts Payable	432,232	1,331	433,563
Accrued Salaries and Benefits	2,513,927		2,513,927
Accrued Interest Payable	176,615		176,615
Other Current Liabilities	226,180		226,180
Long-Term Liabilities:			
Portions Due or Payable Within One Year:			
Bonds Payable - Net of Related Premiums/Discounts	2,133,480		2,133,480
Extended Term Financing Agreements Payable	98,350		98,350
Portions Due or Payable After One Year:			
Bonds Payable - Net of Related Premiums/Discounts	30,257,968		30,257,968
Extended Term Financing Agreements Payable	100,334		100,334
Net Pension Liability	28,260,000		28,260,000
Long-term Portion of Compensated Absences	224,239		224,239
OPEB Obligation	2,742,605		2,742,605
<b>Total Liabilities</b>	<u>67,202,329</u>	<u>(35,068)</u>	<u>67,167,261</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension Related	2,020,000		2,020,000
Unearned Revenue	136,770	10,289	147,059
<b>Total Deferred Inflows of Resources</b>	<u>2,156,770</u>	<u>10,289</u>	<u>2,167,059</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	4,022,189	32,769	4,054,958
Restricted for:			
Elementary Activities	16,486		
Capital Projects	2,828		2,828
Unrestricted	(29,297,957)	138,565	(29,159,392)
<b>TOTAL NET POSITION</b>	<u>(25,256,454)</u>	<u>171,334</u>	<u>(25,085,120)</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<u>\$ 44,102,645</u>	<u>\$ 146,555</u>	<u>\$ 44,249,200</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, 2015

	Program Revenues		Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities
Governmental Activities					
Instruction	\$ 12,510,880	\$	\$ 3,930,687	\$ (8,580,193)	\$ (8,580,193)
Instructional Student Support	1,326,180		855,471	(470,709)	(470,709)
Administrative and Financial Support	2,005,657		271,199	(1,734,458)	(1,734,458)
Operation and Maintenance of Plant	1,683,513	9,069	175,524	(1,498,920)	(1,498,920)
Pupil Transportation	1,078,334		551,980	(526,354)	(526,354)
Student Activities	623,345	62,383	56,852	(504,110)	(504,110)
Community Services	3,000			(3,000)	(3,000)
Interest on Long-Term Debt	1,667,368		111,588	(1,555,780)	(1,555,780)
Total Governmental Activities	20,898,277	71,452	5,953,301	(14,873,524)	(14,873,524)
Business Type Activities					
Food Service	788,368	284,982	495,402	(7,984)	(7,984)
Total Business Type Activities	788,368	284,982	495,402	(7,984)	(7,984)
Total Government	\$ 21,686,645	\$ 356,434	\$ 6,448,703	\$ (14,873,524)	\$ (14,881,508)
General Revenues, Special and Extraordinary Items and Transfers					
Taxes					
Property Taxes				6,080,697	6,080,697
Other Taxes				1,982,008	1,982,008
Grants, Subsidies and Contributions, Unrestricted				6,917,439	6,917,439
Investment Earnings				6,250	6,250
Miscellaneous Income				215,862	215,862
Total General Revenues, Special and Extraordinary Items and Transfers				15,202,256	15,202,256
Change in Net Position				(7,984)	320,748
Net Position - Beginning - Restated				(31,137,889)	161,228
Prior Period Adjustment				5,552,703	18,090
Net Position - Ending				(25,256,454)	\$ (25,085,120)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

CHARLEROI AREA SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2015

	Governmental Funds			Totals
	General Fund	Capital Projects Fund	Debt Service Fund	
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 2,058,657	\$ 2,828	\$	\$ 2,061,485
Investments (At Fair Value)	469,221			469,221
Taxes Receivable (Net)	300,691			300,691
Intergovernmental Receivables	718,767			718,767
Other Receivables (Net)	117,258			117,258
Prepaid Expenditures	89,857			89,857
<b>TOTAL ASSETS</b>	<b>\$ 3,754,451</b>	<b>\$ 2,828</b>	<b>\$</b>	<b>\$ 3,757,279</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Due to Other Funds	\$ 36,399	\$	\$	\$ 36,399
Accounts Payable	432,232			432,232
Accrued Salaries and Benefits	2,513,927			2,513,927
Other Current Liabilities	226,180			226,180
<b>Total Liabilities</b>	<b>3,208,738</b>			<b>3,208,738</b>
<b>Deferred Inflows of Resources:</b>				
Unearned Revenue	136,770			136,770
<b>Total Deferred Inflows of Resources</b>	<b>136,770</b>			<b>136,770</b>
<b>Fund Balances:</b>				
Nonspendable:				
Prepaid Expenditures	89,857			89,857
Committed to:				
Elementary Activities	16,486	2,828		16,486
Capital Projects				2,828
Unassigned:	302,600			302,600
<b>Total Fund Balances</b>	<b>408,943</b>	<b>2,828</b>	<b>-</b>	<b>411,771</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 3,754,451</b>	<b>\$ 2,828</b>	<b>\$ -</b>	<b>\$ 3,757,279</b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

CHARLEROI AREA SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2015

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 411,771</b>
Capital assets used in governmental activities are not financial resources and are not reported as assets in governmental funds. The cost of the assets is \$53,003,075 and the accumulated depreciation is \$21,049,592.	31,953,483
Long-term liabilities, including bonds payable and extended term financing agreements payable, are not due and payable in the current period and are not reported as liabilities in the funds.	(32,590,132)
Net Pension Obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(28,260,000)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflows of resources related to pension of \$2,938,045 = \$1,056,000 deferred outflows of resources pension expense + \$1,882,045 deferred outflow of 2014/2015 employer contributions related to pensions.	2,938,045
Deferred inflows of resources related to pensions	(2,020,000)
Long-term state subsidies receivable on future principal debt payments on long-term bonds payable are not assets in the funds.	4,658,838
Accrued interest expense on long-term debt is not due and payable in the current period and is not reported as a liability in the funds.	(176,615)
Long-term liabilities, including post retirement benefits, are not due and payable in the current period and are not reported as liabilities in the funds.	(2,966,844)
Delinquent property taxes receivable will be collected, but are not available soon enough to pay for the current period's expenditure, and therefore are deferred in the funds.	795,000
<b>Total Net Position - Governmental Activities</b>	<b><u>\$ (25,256,454)</u></b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

CHARLEROI AREA SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015

	Governmental Funds			Totals
	General	Construction Fund	Debt Service Fund	
<b>Revenues</b>				
Local Sources				
Taxes	\$ 8,002,205	\$ -	\$ -	\$ 8,002,205
Other Local Revenues	415,170	470		415,640
State Sources	12,869,405			12,869,405
Federal Sources	547,443			547,443
Total Revenues	<u>21,834,223</u>	<u>470</u>	<u>-</u>	<u>21,834,693</u>
<b>Expenditures</b>				
Instruction	12,158,537			12,158,537
Support Services	6,121,030		62,888	6,183,918
Operation Of Non-Instructional Services	402,171			402,171
Debt Service				
Principal and Interest	2,937,794			2,937,794
Total Expenditures	<u>21,619,532</u>	<u>-</u>	<u>62,888</u>	<u>21,682,420</u>
Excess (Deficiency) of Revenues Over Expenditures	214,691	470	(62,888)	152,273
<b>Other Financing Sources &amp; (Uses)</b>				
Proceeds from Refunding of Bonds			6,405,039	6,405,039
Payment to Refunding Bond Escrow Agents			(6,221,228)	(6,221,228)
Interfund Transfers In	120,923	120,923		241,846
Interfund Transfers (Out)		(120,923)	(120,923)	(241,846)
Total Other Financing Sources & (Uses)	<u>120,923</u>	<u>(120,923)</u>	<u>62,888</u>	<u>183,811</u>
Net Change in Fund Balances	335,614	470	-	336,084
Fund Balances - July 1, 2014 - Restated	32,237	2,358		34,595
Prior Period Adjustment	41,092			41,092
Fund Balances - June 30, 2015	<u>\$ 408,943</u>	<u>\$ 2,828</u>	<u>\$ -</u>	<u>\$ 411,771</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

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, 2015

<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>\$ 336,084</b>
Depreciation Expense	(1,216,553)
Capital outlays are reported governmental funds as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	303,774
Long-term receivable adjustment for amounts received from the state in debt service subsidies that are applicable to principal payments made.	(883,223)
Some delinquent property taxes will not be collected for several months after the district's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues decreased by this amount this year.	60,500
Governmental funds report district pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense	
District pension contributions	3,304,045
Cost of benefits earned net of employee contributions	(2,728,000)
	576,045
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest recognized as the interest accrues regardless of when it is due. The additional interest reported in the statement of activities is the result of accrued interest payable	(643,881)
In the statement of activities compensated absences and other post employment benefits are measured by the amounts earned during the year. In the governmental funds, these items are measured by the amounts paid.	(310,560)
Repayment of bond and extended term financing principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net position.	2,106,546
<b>Change in Net Position - Governmental Activities</b>	<b>\$ 328,732</b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

CHARLEROI AREA SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET VS ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual (budgetary basis)	Over (Under) Budget - Final
<b>Revenues</b>				
Local Sources				
Taxes	\$ 8,223,932	\$ 8,223,932	\$ 8,002,205	\$ (221,727)
Other Local Revenues	371,200	371,200	415,170	43,970
State Sources	12,303,861	12,303,861	12,869,405	565,544
Federal Sources	521,679	521,679	547,443	25,764
Total Revenues	21,420,672	21,420,672	21,834,223	413,551
<b>Expenditures</b>				
Instruction				
Regular Programs	9,224,177	9,224,177	9,072,845	(151,332)
Special Programs	2,200,686	2,200,686	2,505,336	304,650
Vocational Education	459,735	459,735	474,615	14,880
Other Instructional Programs	258,326	258,326	99,729	(158,597)
Nonpublic School Programs	4,000	4,000	6,012	2,012
Total Instruction	12,146,924	12,146,924	12,158,537	11,613
Support Services				
Pupil Personnel	751,141	751,141	713,930	(37,211)
Instructional Staff	363,306	363,306	383,635	20,329
Administration	1,294,821	1,294,821	1,311,811	16,990
Pupil Health	259,972	259,972	211,344	(48,628)
Business	236,764	236,764	234,761	(2,003)
Operation & Maintenance of Plant Services	1,648,922	1,648,922	1,674,454	25,532
Student Transportation Services	1,077,809	1,077,809	1,136,984	59,175
Central	477,366	477,366	443,273	(34,093)
Other Support Services	10,000	10,000	10,838	838
Total Support Services	6,120,101	6,120,101	6,121,030	929
Operation of Non-Instructional Services				
Student Activities	313,916	313,916	399,171	85,255
Community Services	3,000	3,000	3,000	-
Total Non-Instructional Services	316,916	316,916	402,171	85,255
Debt Service				
Principal and Interest	2,840,980	2,840,980	2,937,794	96,814
Total Expenditures	21,424,921	21,424,921	21,619,532	194,611
Excess (Deficiency) of Revenues Over Expenditures	(4,249)	(4,249)	214,691	218,940
<b>Other Financing Sources &amp; (Uses)</b>				
Interfund Transfers In			120,923	120,923
Interfund Transfers (Out)				
Total Other Financing Sources & (Uses)	-	-	120,923	120,923
Net Change in Fund Balances	(4,249)	(4,249)	335,614	339,863
Fund Balance - July 1, 2014 - Restated	32,237	32,237	32,237	
Prior Period Adjustment			41,092	41,092
Fund Balance - June 30, 2015	\$ 27,988	\$ 27,988	\$ 408,943	\$ 380,955

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.



CHARLEROI AREA SCHOOL DISTRICT  
STATEMENT OF NET POSITION - PROPRIETARY FUND  
AS OF JUNE 30, 2015

	Food Service Fund
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 33,747
Investments	204
Due from Other Funds	36,399
Due from Other Governments	10,628
Other Receivables	58,918
Inventories	10,289
Total Current Assets	<u>150,185</u>
Noncurrent Assets:	
Food Service Equipment (Net of Depreciation)	32,769
Total Noncurrent Assets	<u>32,769</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 182,954</u></u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	\$ 1,331
Total Current Liabilities	<u>1,331</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unearned Revenue	10,289
Total Deferred Inflows of Resources	<u>10,289</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	32,769
Unrestricted	138,565
Total Net Position	<u>171,334</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<u><u>\$ 182,954</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

CHARLEROI AREA SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2015

	Food Service
<b>Operating Revenues</b>	
Food Service Revenue	\$ 282,841
Other Operating Revenue	2,141
	<hr/>
Total Operating Revenue	284,982
<b>Operating Expenses</b>	
Personal Services - Salaries	220,456
Personal Services - Benefits	96,590
Purchased Professional and Technical Services	1,230
Purchased Property Services	7,073
Other Purchased Services	423,130
Supplies	31,642
Other Objects	4,337
Depreciation Expense	3,910
	<hr/>
Total Operating Expenses	788,368
	<hr/>
Operating Income (Loss)	(503,386)
<b>Nonoperating Revenues (Expenses)</b>	
Operating Subsidies	
State Subsidies	25,554
Federal Subsidies	
Lunch and Breakfast Subsidies	439,504
Value of Donated Commodities Received	30,344
	<hr/>
Total Nonoperating Revenue and Expense	495,402
	<hr/>
Change in Net Position	(7,984)
Net Position - July 1, 2014	161,228
Prior Period Adjustment	18,090
	<hr/>
Net Position - June 30, 2015	\$ 171,334
	<hr/> <hr/>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

CHARLEROI AREA SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2015

	Food Service
<b>Cash Flows from Operating Activities:</b>	
Cash Received from Customers	\$ 284,982
Cash Payments to Employees for Services	(267,522)
Cash Paid to Suppliers for Goods and Services	(484,064)
Net Cash Provided (Used) by Operating Activities	<u>(466,604)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>	
Grants and Subsidies Received for Non-Operating Activities	
State Subsidies	26,153
Federal Subsidies	446,367
Net Cash Provided (Used) by Noncapital Financing Activities	<u>472,520</u>
<b>Cash Flows from Investing Activities:</b>	
(Purchase) redemption of Investment Securities	(204)
Net Cash Provided (Used) by Investing Activities	<u>(204)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	5,712
Cash and Cash Equivalents, Beginning of Year	<u>28,035</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 33,747</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Used By Operating Activities</b>	
Operating Income (Loss)	\$ (503,386)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used by Operating Activities:	
Depreciation	3,910
Donated Commodities Used	30,344
Changes in Assets and Liabilities:	
Inventories	(6,036)
Due to/Due From Other Funds	49,524
Accounts Payable	(51,249)
Unearned Revenues	10,289
Total Adjustments	<u>36,782</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (466,604)</u></u>

**Noncash Noncapital Financing Activities:**

During the year, the District received \$30,344 of food commodities from the U.S. Department of Agriculture.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

CHARLEROI AREA SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS  
JUNE 30, 2015

	Agency Funds Student Activities
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 35,233
<b>TOTAL ASSETS</b>	<u>\$ 35,233</u>
<b>LIABILITIES</b>	
Other Liabilities	\$ 35,233
Total Liabilities	<u>35,233</u>
<b>NET POSITION</b>	
Unrestricted	
Total Net Position	<u></u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 35,233</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

# Charleroi School District

## Notes to the Basic Financial Statements

### June 30, 2015

#### **Note 1 - Summary of Significant Accounting Policies**

The Charleroi School District (the "School 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

#### **A. Reporting Entity**

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Charleroi School District, this includes general operations, food service, and student related activities of the School District.

In evaluating the School District as a primary government in accordance with Governmental Accounting Standards Board (GASB) Statement No. 61, "The Financial Reporting Entity," management has addressed all potential component units. Consistent with this Statement, the criteria used by the School District to evaluate possible inclusion of related entities within its reporting entity are financial accountability and the nature and significance of the relationship. Upon review of this criteria, the School District determined that there were no potential component units that met the criteria for inclusion in the reporting entity.

The School District is, however, a participant in a jointly governed organization: Mon Valley Career & Technology Center (Vo-Tech). See Note 8 for details on operating information about this entity.

#### **B. Basis of Presentation**

The financial statements of Charleroi School District have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Following are the more significant of the School District's accounting policies.

The School District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements that provide a more detailed level of financial information.

#### **1. Government-wide Financial Statements**

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government,

except for fiduciary funds. Eliminations have been made to minimize the double-counting of internal activities. The statements distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of net position presents the financial condition of the governmental and business-type activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities and business-type activity. Direct expenses are those that are specifically associated with a service program or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the School District.

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances are eliminated.

## **2. Fund Financial Statements**

The fund financial statements provide information about the School District's funds, including the fiduciary funds. Separate statement for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

## **C. Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

### **1. Governmental Funds**

Governmental funds are those through which most governmental functions of the School District are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from

which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

The General Fund and the Capital Projects Fund are the School District's major governmental funds:

**General Fund** - The General Fund is the general operating fund of the School District. It is used to account for all financial resources except those required to be accounted for in another fund. Normal debt service payments for general long-term debt are recorded in the General Fund by the School District.

**Capital Projects Fund** - The Capital Projects Fund includes the School District's Capital Projects Fund and Capital Reserve Fund. The Capital Projects Fund accounts for funds which are typically borrowed or transferred from the General Fund and used for major capital improvements. The Capital Reserve Fund is a Section 1432 Capital Reserve Fund set up in accordance with the Pennsylvania School Code. The purpose of the fund is to set aside excess monies available in the General Fund for future use in the area of capital outlay and improvements.

The Other Governmental Fund of the School District is a debt service fund which accounts for resources accumulated to provide for the payment of general long-term debt principal and interest.

## **2. Proprietary Funds**

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The following are the School District's proprietary funds:

### **Enterprise Fund**

The Enterprise Fund may be used to account for any activity for which a fee is charged to external users for goods or services.

### **Food Service**

The Food Service Fund accounts for the financial transactions related to the food service operations of the School District. This fund is the School District's only enterprise fund and it is reported as a major fund.

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

## **3. Fiduciary Funds**

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and

are not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for various activities.

#### ***Agency Funds***

Student Activity Fund - This fund is utilized to account for monies authorized by Section 511 of the Public School Code of 1949 for student activities, publications and organizations.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. These organizations exist with the explicit approval of and are subject to revocation by the Board.

### **D. Measurement Focus, Basis of Accounting**

#### **1. Government-wide, Proprietary, and Fiduciary Fund Financial Statements**

The government-wide, proprietary, and fiduciary fund financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the School District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

#### **2. Governmental Fund Financial Statements**

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. The statement of revenues, expenditures and changes in fund balances reflects the sources (i.e. revenues and other financing sources) and uses (i.e. expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

#### **3. Revenues - Exchange and Nonexchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.



Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: property taxes available as an advance, income taxes, grants, interest, tuition and student fees.

#### **4. Unearned Revenues**

Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations, are recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as unearned revenue.

On governmental fund financial statements, receivables that will not be collected within the available period are reported as unearned revenue.

#### **5. Expenses/Expenditures**

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

#### **E. Budgetary Process**

Generally Accepted Accounting Principles serve as the budgetary basis of accounting. In accordance with state law, an annual budget prepared by function and object is formally adopted for the General Fund. The School District does not formally adopt budgets for other funds.

The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the budget when the original appropriations were adopted.

The appropriation resolution is subject to budget transfer amendments between functions, as allowed by the Public School Code, throughout the year with the restriction that appropriations

cannot exceed estimated resources. The amounts reported as the original budgeted amounts in the budgetary financial statement reflect the first appropriation resolution for the general fund that covered the entire fiscal year. The amounts reported as the final budgeted amounts represent the final appropriation that includes budget transfer amendments as passed by the Board during the fiscal year. The measurement level of control over expenditures for all budgeted funds is the surplus or deficit of the fund as a whole.

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

- ◆ - Prior to May of the preceding fiscal year, the School District prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
- ◆ - A meeting of the Board of School Directors is then called for the purpose of adopting the proposed budget. The meeting may only be held after 30 days of public notification.
- ◆ - Prior to July 1, the Board of School Directors legally enacts the budget through passage of a resolution.
- ◆ - The budget must be filed with the Pennsylvania Department of Education by July 31 of the fiscal year.

#### **F. Encumbrances**

Encumbrances at year-end are reported in the fund financial statements as reservations of fund balance since they do not constitute expenditures or liabilities, but serve as authorization for expenditures in the subsequent year. As of June 30, 2015, the School District has no encumbrances.

#### **G. Cash and Investments**

For purposes of the statement of cash flows, the proprietary fund considers all highly liquid investments with maturity of three months or less when purchased and pooled funds investments subject to daily withdrawal to be cash equivalents.

**Custodial Credit Risk** - Under Section 440.1 of the Public School Code of 1949, as amended, the School District is permitted to invest funds consistent with sound business practices in the following types of investments, certain money market mutual funds, and deposit accounts:

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

Act 20, a Pennsylvania law enacted in June of 1995, expands the allowable investment vehicles to include certain money market mutual funds rated as "AAA" whose investments are limited to those mentioned in the previous paragraph.

Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation to the extent that such accounts are so insured and, for any

amounts above the insured maximum, provided that approved collateral as provided by law therefore shall be pledged by the depository. Due to higher cash flows at certain times during the year and the School District's investments in certificates of deposit, its demand deposit balances increase significantly. As a result, the amounts collateralized with pooled deposit funds not held in the School District's name at those times were substantially higher than at year-end.

**Interest Rate Risk** – The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

**Method to Estimate Fair Value** - Investments are stated at fair market value.

### ***Deposits***

Below is a summary of the School District's deposits which are insured by the Federal Deposit Insurance Corporation, and those which are not insured or collateralized in the School District's name, but collateralized in accordance with Act 72 of the Pennsylvania State Legislature which requires the financial institution to pool collateral for all government deposits and have the collateral held by an approved custodian in the institution's name.

	<b>FDIC Insured</b>	<b>Pooled Collateral</b>	<b>Bank Balance</b>	<b>Carrying Amount</b>
Cash and Deposits	<u>\$ 250,000</u>	<u>\$ 2,291,405</u>	<u>\$ 2,541,405</u>	<u>\$ 2,130,465</u>

### ***Investments***

The investments of the District have been categorized to indicate the level of risk assumed by the District. All investments are either investments, signifying that all are uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the District's name; or pooled investment funds which cannot be classified by risk category because they are not evidenced by securities that exist in physical or book entry form.

The District's investments at June 30, 2015 consist of:

	<b>Carrying Amount</b>	<b>Fair Value</b>
Pennsylvania Local Government Investment Trust	<u>\$ 469,425</u>	<u>\$ 469,425</u>
Total	<u>\$ 469,425</u>	<u>\$ 469,425</u>

The Pennsylvania Local Government Investment Trust is an investment pool. The fair value of the investment pool is the same as the value of the pool shares owned. Although the Fund seeks to maintain the net asset value of \$1 per share, there can be no guarantee that the net asset values will not vary from this price.

Regulatory oversight resides with the Board of Trustees and Trust Administration. The participants of the trust annually select an independent auditing firm to examine, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The Trust is not registered with the Securities and Exchange Commission. Contacts with prospective investors relating to the shares of the pool are conducted through the Investment Adviser's wholly owned subsidiary, PFMAM, Inc., member NASD.

#### **H. Taxes Receivable**

Taxes receivable consist of delinquent real estate taxes due at June 30, 2015, less an allowance for the amount of these delinquencies not expected to be collected within the next fiscal year.

#### **I. Interfund Receivables/Payables**

During the course of operations, transactions sometime occur between individual funds for goods provided or services rendered. These receivables and payables, to the extent they exist, are classified as "Due from Other Funds" or "Due to Other Funds" on the balance sheet.

#### **J. 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 of inventories is reported as an asset in the General Fund. The inventories in the General Fund are equally offset by a fund balance reserve, which indicates they do not constitute "available spendable 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, 2015.

A physical inventory of the Food Service Fund food and supplies was taken as of June 30, 2015. The inventory consisted of government donated commodities (valued using USDA values) using the first-in, first-out (FIFO) method.

#### **K. Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$1,500 and an estimated useful life in excess of one year. Management has elected to include certain homogeneous asset categories with individual assets less than \$1,500 as composite groups for financial reporting purposes. In addition, capital assets purchased with long-term debt may be capitalized regardless of the thresholds established. Such assets are recorded at historical cost or estimated historical cost if purchased or

constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

All capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives.

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	10 - 15 years
Buildings and Building Improvements	20 - 50 years
Vehicles	6 - 10 years
Machinery and Equipment	6 - 10 years

#### **L. Long-Term Liabilities**

In the government-wide financial statements and proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net position. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### **M. Estimates**

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

#### **N. Fund Balances**

In accordance with Governmental Accounting Standards Board Statement #54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the School District classifies governmental fund balances as follows:

- **Nonspendable** – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as nonspendable at June 30, 2015 by the School District are nonspendable in form.
- **Restricted** – includes amounts that are restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.
- **Committed** – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the Board of School

Directors, the District's highest level of decision making authority. Commitments may be modified or rescinded only through resolutions approved by the Board of School Directors.

- Assigned – includes amounts that the School District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the School District's established policy, amounts may be assigned by the Business Manager of the School District.
- Unassigned – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the School District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of School Directors has provided otherwise in its commitment or assignment actions.

Fund balances in the School District's major funds are \$408,943 for the general fund, comprised of nonspendable prepaid amounts of \$89,857, \$16,486 for elementary activities and unassigned amounts of \$302,600. In addition, \$2,828 is in committed fund balance for the capital projects fund.

#### **O. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

### **Note 2 - Real Estate and Unearned Revenue**

Property taxes attach as an enforceable lien on property as of July 1<sup>st</sup> of the year following levy. Taxes are levied on July 1. The School District bills and collects its own property taxes through locally elected tax collectors. Collection of delinquent property taxes is contracted to a private collection agency. The tax levy for fiscal 2015 was based on assessed values on January 1, 2014 of \$57.9 million. The School District tax rate for the year ended June 30, 2015 was 133.0 mills as levied by the School Board.

Taxes may be paid at a 2% discount until September 30<sup>th</sup>, at face until November 30<sup>th</sup>, and at a 10% penalty until the lien date.

The School District, in accordance with GAAP, recognized the delinquent and unpaid taxes receivable reduced by an allowance for uncollectible taxes as determined by the administration. A portion of the net amount estimated to be collectible, which was measurable and available within 60 days, was recognized as revenue and the balance deferred in the fund financial statements. This balance, net of allowances, is \$300,691.

### Note 3 - Changes in Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
<b>Governmental Activities</b>				
Non-Depreciable Assets:				
Land	\$ 637,195	\$	\$	\$ 637,195
Depreciable Assets				
Buildings	47,736,520	27,466		47,763,986
Equipment	1,651,619	68,792		1,720,411
Motor Vehicles	2,153,281	207,516		2,360,797
Infrastructure	520,686			520,686
Totals at historical cost	52,699,301	303,774	-	53,003,075
Less accumulated depreciation for:				
Buildings	(17,077,300)	(1,013,374)		(18,090,674)
Equipment	(1,198,311)	(46,239)		(1,244,550)
Motor Vehicles	(1,471,733)	(143,923)		(1,615,656)
Infrastructure	(85,695)	(13,017)		(98,712)
Total accumulated depreciation	(19,833,039)	(1,216,553)		(21,049,592)
Governmental activities capital assets, net	\$ 32,866,262	\$ (912,779)	\$	\$ 31,953,483
<b>Business-type Activities</b>				
Depreciable Assets:				
Equipment	\$ 168,927	\$	\$	\$ 168,927
Totals at historical cost	168,927			168,927
Less accumulated depreciation for:				
Equipment	(132,248)	(3,910)		(136,158)
Total accumulated depreciation	(132,248)	(3,910)		(136,158)
Business-type activities capital assets, net	\$ 36,679	\$ (3,910)	\$	\$ 32,769
<b>Depreciation expense was charged to governmental functions as follows:</b>				
Instruction				\$ 577,180
Support				64,290
Administration				88,962
Plant				77,217
Transportation				173,034
Student Activities				235,870
Total depreciation expense				\$ 1,216,553

In the 2014-2015 school year, equipment purchases added \$303,774 to the historical cost of governmental activities. Depreciation expense for that same time period was \$1,216,553 for the governmental activities and \$3,910 for the business activities, resulting in a net book value decrease of \$912,779 and a decrease of \$3,910 for the governmental activities and business activities respectively.

## Note 4 - General Long-Term Debt

Changes in the School District's long-term obligations during fiscal year 2015 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Bonds, loans & leases payable					
Capital improvement bonds	\$ 33,827,427	\$ 6,860,567	\$ (8,296,546)	\$ 32,391,448	\$ 2,133,480
Leases payable	210,684		(12,000)	198,684	98,350
	<u>34,038,111</u>	<u>6,860,567</u>	<u>(8,308,546)</u>	<u>32,590,132</u>	<u>2,231,830</u>
Other liabilities:					
Compensated absences	203,209	21,030		224,239	
OPEB Obligation	2,191,786	781,033	(230,214)	2,742,605	
Total other liabilities	<u>2,394,995</u>	<u>802,063</u>	<u>(230,214)</u>	<u>2,966,844</u>	<u>-</u>
Governmental activities long-term liabilities	<u>\$ 36,433,106</u>	<u>\$ 7,662,630</u>	<u>\$ (8,538,760)</u>	<u>\$ 35,556,976</u>	<u>\$ 2,231,830</u>

### Debt Refunding

During 2014/2015, the School District issued General Obligation Bonds, Series of 2014, for the purpose of refunding the Series of 2008 General Obligation Bonds.

### General Obligation Bonds

General Obligation 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 1<sup>st</sup> and October 1<sup>st</sup> at 6%. 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.

Refunding Series of 2008, principal amount of \$9,750,000. Interest is payable semi-annually on March 1<sup>st</sup> and September 1<sup>st</sup>. The bonds were refunding in the 14/15 year with the issuance of the Series of 2014 Bonds.

General Obligation Bonds, Series B of 2009, issuance amount of \$13,950,000. Interest is payable semi-annually on May 15<sup>th</sup> and November 15<sup>th</sup>. The District receives a subsidy of 35% of the interest payable under the Federal Build American Bonds program. The bonds mature in lots on November 15<sup>th</sup> each year starting in 2013 through 2033.

2012 Mon Valley Career & Technology Center – principal amount of \$1,551,240. On February 23, 2012, the District agreed to pay the Mon Valley Career & 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 1<sup>st</sup> and September 1<sup>st</sup>. The bonds mature in lots on September 1<sup>st</sup> each year starting in 2013 through 2026.



General Obligation Bonds, Series of 2014, issuance amount of \$6,190,000, variable rate from 2.0% to 3.0% with final payment due 3-1-2018. These bonds were issued to refund the Series of 2008 Bonds.

The General Fund is used to liquidate the long-term liability for post-retirement benefits and compensated absences. The current portion of debt obligations and post retirement benefits is recorded as a current liability in the Statement of Net Position.

The amounts necessary to amortize outstanding general obligation bonds for the next five years and to maturity are:

	Principal	Interest	Total
2016	\$ 2,133,480	\$ 1,016,675	\$ 3,150,155
2017	2,190,415	952,711	3,143,126
2018	2,263,316	885,348	3,148,664
2019	120,250	849,063	969,313
2020	122,184	846,338	968,522
2021-2025	649,608	4,186,584	4,836,192
2026-2030	7,355,152	3,120,568	10,475,720
2030-2034	6,750,000	829,500	7,579,500
Total	<u>\$ 21,584,405</u>	<u>\$ 12,686,787</u>	<u>\$ 34,271,192</u>

#### ***Lease Purchase Agreements***

The District has entered into a capital lease with Mercedes Benz Financial for the purchase of school busses. The lease consists of an interest rate of 2.5% with final payment due 8/30/2016.

The amounts necessary to amortize the outstanding lease purchase agreement to maturity are:

	Principal	Interest	Total
2016	\$ 98,350	\$ 4,988	\$ 103,338
2017	100,334	2,604	102,938
Total	<u>\$ 198,684</u>	<u>\$ 7,592</u>	<u>\$ 206,276</u>

## **Note 5 - Pension Plan**

### **1. Summary of Significant Accounting Policies**

#### **Pensions**

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

## ***General Information about the Pension Plan***

### **Plan Description**

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

### **Benefits Provided**

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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

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

### **Contributions**

#### **Member Contributions:**

Active members who joined the system prior to July 22, 1983, contribute at 5.25 % (Membership Class T-C) or at 6.50 % (Membership Class T-D) of the member's qualifying compensation.

Members who joined the system on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25 % (Membership Class T-C) or at 7.50 % (Membership Class T-D) of the member's qualifying compensation.

Members who joined the system after June 30, 2001 and before July 1, 2011 contribute at 7.50% (automatic Membership class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined the System after June 30, 2011 automatically contribute at the membership Class T-E rate of 7.50% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011 who elect Class T-F membership contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership class T-E contribution rate to fluctuate between 7.5% and 9.5% and membership class T-F contribution rate to fluctuate between 10.3% and 12.3%.

#### **Employer Contributions:**

The School District's contractually required contribution rate for fiscal year ended June 30, 2015 was 20.50% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$1,882,045 for the year ended June 30, 2015.

#### **2. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions**

At June 30, 2015, the District reported a liability of \$28,260,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2013 to June 30, 2014. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2014, the District's proportion was 0.0714 percent, which was an increase of 0.0032 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$2,728,000. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings		\$ 2,020,000
Changes in proportions of total contributions	1,056,000	
Contributions subsequent to the measurement date	1,882,045	
	<u>\$ 2,938,045</u>	<u>\$ 2,020,000</u>

\$1,882,045 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ 251,000
2017	251,000
2018	251,000
2019	(38,000)

#### Actuarial assumptions

The total pension liability as of June 30, 2014 was determined by rolling forward the System's total pension liability as of the June 30, 2013 actuarial valuation to June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return – 7.50%, includes inflation at 3.00%
- Salary increases – Effective average of 5.50%, which reflects an allowance for inflation of 3.00%, real wage growth of 1%, and merit or seniority increases of 1.50%
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females

The actuarial assumptions used in the June 30, 2013 valuation were based on the experience study that was performed for the five-year period ending June 30, 2010. The recommended assumption changes based on this experience study were adopted by the Board at its March 11, 2011 Board meeting, and were effective beginning with the June 30, 2011 actuarial valuation.

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

weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public markets global equity	19%	5.0%
Private markets (equity)	21%	6.5%
Private real estate	13%	4.7%
Global fixed income	8%	2.0%
U.S. long treasuries	3%	1.4%
TIPS	12%	1.2%
High yield bonds	6%	1.7%
Cash	3%	0.9%
Absolute return	10%	4.8%
Risk parity	5%	3.9%
MLPs/Infrastructure	3%	5.3%
Commodities	6%	3.3%
Financing (LIBOR)	-9%	1.1%
	<u>100%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2014.

#### Discount Rate

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

#### Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate

The following presents the net pension liability, calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (9.50%) or 1-percentage-point higher (8.50%) than the current rate.

	1% Decrease 6.50%	Current Discount rate 7.50%	1% Increase 8.50%
District's proportionate share of the net pension liability	\$ 35,251,000	\$ 28,260,000	\$ 22,293,000

#### Pension plan fiduciary net position

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

	2015
Total payroll for the year ended	\$ 9,796,316
Total covered payroll	9,230,065
Total required retirement expense	1,975,234
Total actual retirement expense	1,975,234
Percentage of required contribution	100%
Contribution percentage actuarially determined	21.40

#### Note 6 - Compensated Absences & Other Post-Employment Benefits

The School District has made early retirement benefits available to certain employees. The benefit is (1) payment for unused sick days at retirement. The payable for declared retirements is recorded as a current liability in the General Fund at the time of retirement. With respect to other employees that do not meet the criteria established by the School District for early retirement, these employees are not eligible to receive payment for their unused sick days at retirement. The General Fund has been used to liquidate the accumulated liability for retirement benefits. The dollar amounts of the benefits are as follows:

	Accumulated Sick Days	Total
June 30, 2014	\$ 203,209	\$ 203,209
Increases	21,030	21,030
Decreases	-	-
June 30, 2015	<u>\$ 224,239</u>	<u>\$ 224,239</u>

## Note 7 – Other Post Employment Benefits

The District maintains a single-employer defined benefit healthcare plan. The plan provides health insurance for eligible retirees and their spouses through the District's health insurance plan.

*Funding Policy.* The contribution requirements of plan members and the District are established and may be amended by the Board of School Directors. The Annual Required Contribution for the year ended June 30, 2015 was not made by the District.

*Funded Status.* As of July 1, 2014, the actuarial accrued liability for benefits was \$4,923,377, all of which was unfunded.

### Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability AAL – Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)
<u>7/1/2012</u>	<u>\$ -0-</u>	<u>\$ 6,070,162</u>	<u>\$ 6,070,162</u>
<u>7/1/2014</u>	<u>\$ -0-</u>	<u>\$ 4,923,377</u>	<u>\$ 4,923,377</u>

*Annual Required Contribution.* For the 2013/2014 year, the District's annual required contribution of \$372,331 was not made. The required contribution was determined as part of the July 1, 2011 actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) 4.00% investment rate of return and (b) no assumed salary scale. Since the School District has chosen not to make its annual required contribution, interest expense has accrued on the net obligation each year and is included in the net pension obligation of the School District.

Fiscal Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed	Net Pension Obligation
6/30/11	709,277	52.2%	1,322,477
6/30/12	698,253	50.9%	1,718,106
6/30/13	536,302	47.8%	2,066,774
6/30/14	536,302	43.4%	2,453,475
6/30/15	421,621	54.6%	2,742,605

### 2014/2015 Contribution Details

Annual Required Contribution (ARC)	\$ 421,621
Interest on Prior NET OPEB Obligation @ 4.00%	98,123
Annual OPEB Cost	519,744
Contributions Made	(230,214)
Estimated Increase in Net OPEB Obligation	289,530
Net OPEB Obligation - Beginning of Year	2,453,075
Net OPEB Obligation - End of Year	<u>\$ 2,742,605</u>

The following assumptions were also made:

*Mortality* – The RP-2000 Healthy Annuitant Mortality Table with generational improvement using Scale BB.

*Rates of Disablement* – Not assumed.

*Retirement* – Assumed to occur at the completion of 30 years of service for the teachers (re: the contract)/administrators

*Marital Status* – 70% of future retirees were assumed to be married.

*Age of Spouse* – The female spouse is assumed to be three years younger than the male spouse.

*Medical Inflation* – 7.0% in the first year, gradually decreasing by 0.5% per year, to an ultimate rate of 5%.

### Note 8 - Jointly Governed Organizations

The School District is one of six member school districts of the Mon Valley Career & Technology Center (Vo-Tech). Vo-Tech is controlled and governed by the Joint Board, which is composed of one member from each school board of the member districts. Direct oversight of Vo-Tech's operations is the responsibility of the Joint Committee. The School District's share of annual operating and capital costs for Vo-Tech fluctuates based on the percentage enrollment in the school. The Mon Valley Career & Technology Center prepares financial statements, which have been separately audited. The audit report may be obtained by calling the business office of the School District.

### Note 9 - Commitments and Contingencies

The Charleroi School District participates in a number of state and federally assisted grant programs. The programs are subject to program compliance audits by the grantor agencies or their representatives. The audits of some of these programs for and including the year ended June 30, 2015 have not yet been conducted. Accordingly, the School District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time although the School District expects such amounts to be immaterial.



### **Note 10 – Interfund Balances**

Individual fund interfund receivable and payable balances at June 30, 2015 were:

<u>Interfund Receivable</u>	<u>Amounts</u>	<u>Interfund Payable</u>	<u>Amounts</u>
Cafeteria Fund	\$ 36,399	General Fund	\$ 36,399
	<u>\$ 36,399</u>		<u>\$ 36,399</u>

During the fiscal year ended June 30, 2015, the following fund level transfers were made:

<u>Transfers From</u>	<u>Amounts</u>	<u>Transfers To</u>	<u>Amounts</u>
Capital Projects Fund	\$ 120,923	General Fund	\$ 120,923
Debt Service Fund	120,923	Capital Projects Fund	120,923
	<u>\$ 241,846</u>		<u>\$ 241,846</u>

### **Note 11 - Risk Management**

The School District is exposed to various risks of loss related to certain torts, thefts, damages, catastrophic loss of assets, errors and omissions, injury to employees and natural disasters. Charleroi School District manages most of its risk through the general fund with the purchase of commercial insurance coverage.

The District estimates that the amount of actual or potential claims against the District as of June 30, 2015 will not materially affect the financial condition of the District and will be covered under the present insurance coverage.

### **Note 12 – New Accounting Pronouncement**

GASB Statement #68 was implemented in the 2014/2015 year. This statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts and have certain characteristics. The application of this Statement has resulted in the School District including a proportionate share of the PSERS unfunded liability within its financial statements. The beginning balance of the School District's net position was restated to comply with this Statement.

### **Note 13 – Prior Period Adjustments**

Prior period adjustments were made in the School District's general fund and government-wide financial statements to adjust balances from the prior year.



## Supplementary Information

CHARLEROI AREA SCHOOL DISTRICT  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015

**Student Activity Fund**

	<u>June 30, 2014</u>	<u>Additions</u>	<u>Reduction</u>	<u>June 30, 2015</u>
<b>Assets</b>				
Cash and Cash Equivalents	\$ 92,342	\$ 176,826	\$ 233,935	\$ 35,233
Investments				-
<b>Total Assets</b>	<u>\$ 92,342</u>	<u>\$ 176,826</u>	<u>\$ 233,935</u>	<u>\$ 35,233</u>
<b>Liabilities</b>				
Accounts Payable	\$ -	\$	-	\$
Other Liabilities	<u>92,342</u>	<u>176,826</u>	<u>233,935</u>	<u>35,233</u>
<b>Total Liabilities</b>	<u>\$ 92,342</u>	<u>\$ 176,826</u>	<u>\$ 233,935</u>	<u>\$ 35,233</u>



# Cypher & Cypher

Accountants | Auditors | Advisors

## Independent Auditor's 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*

Charleroi Area School District  
Charleroi, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Charleroi Area School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Charleroi Area School District's basic financial statements, and have issued our report thereon dated September 25, 2015.

### Internal Control over Financial Reporting

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

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

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

#### **Compliance and Other Matters**

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

#### **Purpose of this Report**

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

CYPHER & CYPHER

A handwritten signature in black ink, appearing to read "Cypher & Cypher", written in a cursive, flowing style.

CERTIFIED PUBLIC ACCOUNTANTS

Canonsburg, Pennsylvania  
September 25, 2015

**Independent Auditor's Report on Compliance for Each Major Program  
And on Internal Control Over Compliance Required by OMB Circular A-133**

Charleroi Area School District  
Charleroi, Pennsylvania

**Report on Compliance for Each Major Federal Program**

We have audited Charleroi Area School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Charleroi Area School District's major federal programs for the year ended June 30, 2015. 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***

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

***Auditor's Responsibility***

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

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

In our opinion, Charleroi Area School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

### **Report on Internal Control over Compliance**

Management of Charleroi Area School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Charleroi Area School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

CYPHER & CYPHER

A handwritten signature in black ink, appearing to read "Cypher & Cypher", is written over the printed name.

CERTIFIED PUBLIC ACCOUNTANTS

Canonsburg, Pennsylvania  
September 25, 2015

# CHARLEROI AREA SCHOOL DISTRICT

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### YEAR ENDED JUNE 30, 2015

#### Section 1 – Summary of Auditor’s Results

Financial Statements:		
i.	Type of auditor’s report issued:	Unmodified
ii.	Internal control over financial reporting:	
	Material weakness(es) identified?	No
	Significant deficiencies identified?	No
iii.	Noncompliance material to financial statements noted?	No

Federal Awards:		
iv.	Internal control over major programs:	
	Material weakness(es) identified?	No
	Significant deficiencies identified?	None reported
v.	Type of auditor’s report issued on compliance for major programs:	Unmodified
vi.	Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No



vii.	Major programs:	
	CFDA Number(s):	Name of Federal Program or Cluster:
	84.010	Title I
	84.027	Special Education Cluster (IDEA)
	84.173	
	10.553	Child Nutrition Cluster
	10.555	
	10-559	
viii.	Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
ix.	Auditee qualify as low-risk auditee?	No

## Section 2 – Findings Related to Financial Statements Required to Be Reported Under GAGAS

None.

## Section 3 – Findings and Questioned Costs for Federal Awards

None.

## Section 4 – Summary of Prior Year Findings

None.

CHARTERED SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURE OF AWARDS OF FEDERAL ASSISTANCE  
FOR THE YEAR ENDED JUNE 30, 2015

Project Title Or Grant Name										
Source	#	#	Years	Award	14/15	7/1/14	14/15	14/15	Revenue 6/30/15	15/16
Title I, Part A Cluster										
Department of Education										
Passed From Pennsylvania Department of Education										
Title I, Part A										
I	84.010	013-15-0077	14/15	\$ 418,995.00	\$ 418,995.00	\$ -	\$ 418,995.00	\$ 418,995.00	\$ -	\$ -
Total Title I, Part A Cluster										
Special Education Cluster (IDEA)										
Department of Education										
Passed From Intermediate Unit #1										
IDEA, Part B										
I	84.027	062-15-0-001	14/15	\$ 224,707.00	\$ 224,707.00	\$ -	\$ 224,707.00	\$ 224,707.00	\$ -	\$ -
IDEA-B, Section 619										
I	84.173	131-14-0	14/15	\$ 2,356.00	\$ 2,356.00	\$ -	\$ 2,356.00	\$ 2,356.00	\$ -	\$ -
Total Special Education Cluster (IDEA)										
Child Nutrition Cluster										
Department of Agriculture										
Passed From Pennsylvania Department of Education										
School Breakfast Program - Severe Need										
I	10.553		14/15	\$ 100,971.27	\$ 103,441.37	\$ 3,402.67	\$ 100,971.27	\$ 100,971.27	\$ 932.57	\$ -
Subtotal CFDA #10.553										
Passed From Pennsylvania Department of Education										
National School Lunch Program										
I	10.555		14/15	\$ 325,750.28	\$ 332,904.37	\$ 10,332.92	\$ 325,750.28	\$ 325,750.28	\$ 3,178.88	\$ -
Passed From Pennsylvania Department of Agriculture										
National School Lunch - Donated Commodities										
I	10.555		14/15	\$ 30,344.18	\$ 40,533.32	\$ -	\$ 30,344.18	\$ 30,344.18	\$ (10,289.14) d	\$ -
		13/14		\$ 30,811.00		\$ (4,253.25)	\$ 4,253.25	\$ 4,253.25	\$ -	\$ -
Subtotal CFDA #10.555										
Passed From Pennsylvania Department of Education										
Summer Food Program										
I	10.559		14/15	\$ 12,782.08	\$ 10,021.73	\$ 3,527.28	\$ 12,782.08	\$ 12,782.08	\$ 6,287.63	\$ -
Total Child Nutrition Cluster										
Department of Education										
Passed From Pennsylvania Department of Education										
Title II - Improving Teacher Quality										
I	84.367	020-15-0077	14/15	\$ 95,992.00	\$ 95,992.00	\$ -	\$ 95,992.00	\$ 95,992.00	\$ -	\$ -
Subtotal CFDA #84.367										
Rural and Low Income Schools										
I	84.358	007-15-0077	14/15	\$ 31,386.00	\$ 11,769.75	\$ -	\$ 15,607.71	\$ 15,607.71	\$ 3,837.96	\$ 15,778.29
Subtotal CFDA #84.358										
Passed From Intermediate Unit #1										
Race to the Top - Phase 3 (RTT3)										
I	84.413A		14/15	\$ 25,931.00	\$ -	\$ -	\$ 10,861.00	\$ 10,861.00	\$ 10,861.00	\$ -
Subtotal CFDA #84.413A										
Grand Total										
				\$ 1,300,025.81	\$ 1,240,820.49	\$ 13,009.62	\$ 1,242,619.77	\$ 1,242,619.77	\$ 14,008.90	\$ 15,778.29

Footnotes:  
(a) Total amount of Commodities received from Dept of Agriculture  
(b) Beginning inventory at July 1  
(c) Total amount of Commodities Used  
(d) Ending inventory at June 30

# CHARLEROI AREA SCHOOL DISTRICT

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

### FOR THE YEAR ENDED JUNE 30, 2015

#### Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes federal grant activity of Charleroi Area School District (the "School District") under programs of the federal government for the year ended June 30, 2015. 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*. Because the Schedule presents only a selected portion of the operations of Charleroi Area School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of Charleroi Area School District.

#### Note 2 – Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Costs Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Pass-through entity identifying numbers are presented where available.

#### Note 3 – Food Distribution

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. At June 30, 2015, the District had food commodities totaling \$10,289 in inventory.

