

CHARLEROI AREA SCHOOL AUTHORITY

CHARLEROI, PENNSYLVANIA

FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

YEAR ENDED JULY 31, 2019



**Cypher & Cypher**

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CHARLEROI AREA SCHOOL AUTHORITY

TABLE OF CONTENTS

	PAGE NO.
INDEPENDENT AUDITOR'S REPORT	
MANAGEMENT'S DISCUSSION AND ANALYSIS	i-v
GOVERNMENT WIDE FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	1
STATEMENT OF ACTIVITIES	2
FUND FINANCIAL STATEMENTS	
BALANCE SHEET-GOVERNMENTAL FUNDS	3
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	4
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	5
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	6
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET VS ACTUAL – GENERAL FUND	7
NOTES TO THE FINANCIAL STATEMENTS	8-14



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## Independent Auditor's Report

Charleroi Area School Authority  
Charleroi, Pennsylvania

Ladies and Gentlemen:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Charleroi Area School Authority, as of and for the year ended July 31, 2019, and the related notes to the financial statements, which collectively comprise the Authority'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. 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 Authority'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 Authority'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, each major fund, and the aggregate remaining fund information of Charleroi Area School Authority as of July 31, 2019 and the respective changes in financial position 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 v 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.

CYPHER & CYPHER

*Cypher & Cypher*

CERTIFIED PUBLIC ACCOUNTANTS

Canonsburg, Pennsylvania  
November 15, 2019

# Management's Discussion & Analysis

## **Management's Discussion and Analysis** (Required Supplemental Information)

The Charleroi Area School Authority discussion and analysis of financial performance provides an overview of the financial activities for the fiscal year ended July 31, 2019. The Management's Discussion and Analysis (MD&A) should be read in conjunction with the financial statements and footnotes.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis- for State and Local Governments issued June 1999.

### **The Authority**

The Charleroi Area School Authority was formed February 1, 1989, in compliance with the Municipality Authorities Act of 1945, adopted May 2, 1945, P.L. 382, as amended, and pursuant to the Resolutions respectively adopted by the duly authorized boards of School Directors of the Charleroi Area School District; Washington County, Pennsylvania.

The Charleroi Area School Authority is incorporated for the purpose of acquiring, holding, constructing, improving, maintaining and operating, owning, leasing, either in the capacity of lessor or lessee, school facilities in accordance with the applicable education and public school laws of the Commonwealth of Pennsylvania, for the use and benefit of the Charleroi Area School District; and their respective successors.

The Authority is presently managed by a board of five members appointed by the School District for a staggering two year period.

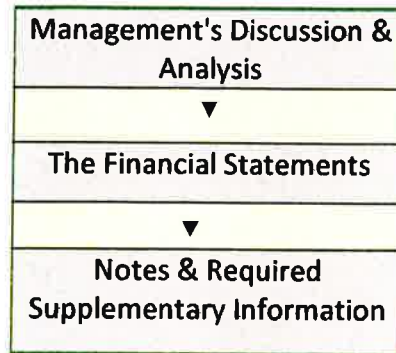
### **Financial Highlights**

The enclosed financial statements reflect minimal change in the Authority's financial position and operations:

- The Authority has Total Net Position of \$43,145.

## Overview of Financial Statements

The basic financial statements comprise three components:



### Government-Wide Financial Statements

The government-wide statements report information about the Authority using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the governmental and business-type activities that are consolidated in columns, which add to a total for the Primary Government. The focus of the Statement of Net Position is designed to be similar to bottom line results for the school and its governmental and business-type activities. This statement combines the governmental fund's current financial resources, capital assets, and long-term obligations. The difference between the Authority's assets and liabilities is one way to measure the financial health or position.

The Statement of Activities is focused on both the gross and net costs of various functions, which are supported by the government's charges for services, program revenues, and federal and state subsidies, contributions and capital grants. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. This statement is intended to summarize and simplify the user's analysis of cost of various governmental services provided.

### Fund Financial Statements

The Authority's fund financial statements provide detailed information about the funds. The Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the Authority's funds are categorized as governmental funds.

Governmental funds – All of the Authority's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The government fund statements provide a detailed short-term view of the Authority's operations and the services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Authority's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

The following table reflects the condensed Statement of Net Position:

Statement of Net Position  
As of July 31, 2019

	<u>Governmental</u> <u>2019</u>
<b>ASSETS</b>	
Current Assets:	
Cash and Deposits	\$ 7
Total Current Assets	<u>7</u>
Noncurrent Assets:	
Lease Rental Receivables	13,768,938
Unamortized Discount on Bonds Payable, net of accumulated amortiza	43,138
Total Noncurrent Assets	<u>13,812,076</u>
Total Assets	<u><u>\$ 13,812,083</u></u>
 <b>LIABILITIES</b>	
Current Liabilities:	
Current Portion of Noncurrent Liabilities	\$ -
Total Current Liabilities	<u>-</u>
Non Current Liabilities:	
Series C of 1999 Bond - Current Interest Bonds	-
Series C of 1999 Bond - Capital Appreciation Bonds at accreted value	13,768,938
Less: Current Portion of Noncurrent Liabilities	<u>-</u>
Total Noncurrent Liabilities	<u>13,768,938</u>
Total Liabilities	<u><u>13,768,938</u></u>
 <b>NET POSITION</b>	
Restricted for:	
Capital Projects	
Other Reserves	
Unrestricted	<u>43,145</u>
TOTAL NET POSITION	<u><u>43,145</u></u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 13,812,083</u></u>

**Assets, Liabilities and Net Position**

Total assets for the period ending July 31, 2019 were \$13,812,083 with lease rental receivables representing 99% and cash and deposits and unamortized discount on bonds payable representing 1%.



**Statement of Activities**

The following schedule discloses a condensed Statement of Activities for the current period:

Statement of Activities  
As of July 30, 2019

	Governmental
General Revenues:	<u>2019</u>
Investment Earnings	\$ -
Transfers from Primary Government	-
Increase in Lease Rental Receivable	<u>732,786</u>
	732,786
Expenditures:	
Administrative and Financial Support	-
Transfer to Primary Government	-
Interest on Long Term Debt	<u>741,412</u>
	741,412
Change in Net Position	<u><u>\$ (8,626)</u></u>

**Revenues:**

The primary source of revenue is other local revenues payments received from the Charleroi Area School District and increase in lease rental receivable.

**Expenditures:**

The primary disbursement of the Authority is the interest expense in the amount of \$0.

**Financial Analysis of the Governmental Funds**

The following table reflects changes in fund balance:

	<u>General Fund</u>
August 1, 2018	\$ 51,771
Net Change in Fund Balances	<u>(8,626)</u>
July 31, 2019	<u><u>\$ 43,145</u></u>

## Financial Analysis of Long Term Debt

The following table reflects changes in long term debt obligations:

<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<u>\$ 13,036,152</u>	<u>\$ 732,786</u>	<u>\$ -</u>	<u>\$ 13,768,938</u>

## Governmental Fund Budgetary Highlights

No budget is passed for the Authority.

## Capital Assets

Capital assets are used in the maintenance and upgrade of the equipment and facilities of the Charleroi Area School District. A renovation project including construction and/or replacing the plumbing and air conditioning in the high school/middle school complex, upgrading to a more efficient heating and lighting system, removing asbestos and relocating the library and administrative offices, renovating the gymnasium and auditorium has been completed and has been funded through the issuance of governmental bonds.

## Future Considerations/Factors

The Charleroi Area School Authority operates for the benefit of the Charleroi Area School District. The Authority's future is dependent on Charleroi Area School District. Upon retirement of the Series of 1999C Bonds the School Districts plans to terminate the Authority.

## Contacting the Authority Financial Management

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors, and creditors with a general overview of the Authority's finances. If you have any questions about this report or to request additional information, please contact:

Joseph Gudac, Business Manager  
Charleroi Area School District  
125 Fecsen Drive  
Charleroi, PA 15022  
724-483-3509 Ext. 1216

# Basic Financial Statements

CHARLEROI AREA SCHOOL AUTHORITY  
STATEMENT OF NET POSITION  
AS OF JULY 31, 2019

	Governmental Activities
<b>ASSETS</b>	
Current Assets:	
Cash and Deposits	\$ 7
Other Receivables	-
Total Current Assets	7
Noncurrent Assets:	
Lease Rental Receivable	13,768,938
Unamortized Discount on Bonds Payable, net of accumulated amortization	43,138
Total Noncurrent Assets	13,812,076
<b>TOTAL ASSETS</b>	<b>\$ 13,812,083</b>
 <b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	\$ -
Current Portion of Noncurrent Liabilities	-
Total Current Liabilities	-
Noncurrent Liabilities:	
Series C of 1999 Bonds - Current Interest Bonds	-
Series C of 1999 Bonds - Capital Appreciation Bonds at accreted value	13,768,938
Less: Current Portion of Noncurrent Liabilities	-
Total Noncurrent Liabilities	13,768,938
Total Liabilities	13,768,938
 <b>NET POSITION</b>	
Restricted for:	
Capital Projects	-
Other Reserves	-
Unrestricted	43,145
<b>TOTAL NET POSITION</b>	<b>43,145</b>
 <b>TOTAL LIABILITIES AND NET POSITION</b>	 <b>\$ 13,812,083</b>

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

CHARLEROI AREA SCHOOL AUTHORITY  
STATEMENT OF ACTIVITIES  
YEAR ENDED JULY 31, 2019

	Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Charges for Services	Operating Grants and Contributions	
Governmental Activities			
Administrative and Financial Support	\$ -	\$ -	\$ -
Interest on Long-Term Debt	741,412	-	(741,412)
<b>Total Governmental Activities</b>	<b>741,412</b>	<b>-</b>	<b>(741,412)</b>
<b>Total Government</b>	<b>\$ 741,412</b>	<b>\$ -</b>	<b>\$ (741,412)</b>
General Revenues, Special and Extraordinary Items and Transfers			
Investment Earnings			-
Interfund Transfers In (Out)			-
Increase in Lease Rental Receivable			732,786
<b>Total General Revenues, Special and Extraordinary Items and Transfers</b>			<b>732,786</b>
Change in Net Position			(8,626)
Net Position - Beginning of Fiscal Year			51,771
Net Position - End of Fiscal Year			\$ 43,145

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

CHARLEROI AREA SCHOOL AUTHORITY  
 BALANCE SHEET - GOVERNMENTAL FUNDS  
 AS OF JULY 31, 2019

	Governmental Funds			Totals
	General Fund	Construction Fund	Non-Major Funds	
<b>ASSETS</b>				
Cash and Deposits	\$ 7	\$ -	\$ -	\$ 7
Unamortized Discount on Bonds Payable (Net)	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 7</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Total Liabilities	-	-	-	-
<b>FUND BALANCES</b>				
Committed Debt Service	-	-	-	-
Unassigned	7	-	-	7
Total Fund Balances	<u>7</u>	<u>-</u>	<u>-</u>	<u>7</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 7</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7</u>

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

CHARLEROI AREA SCHOOL AUTHORITY  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET POSITION  
 AS OF JULY 31, 2019

Total Fund Balances - Governmental Funds	\$ 7
Long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds.	(13,768,938)
Unamortized Bond Discounts are not assets in the funds	43,138
Lease rental receivable on future principal debt payments on long-term bonds payable are not assets in the funds.	<u>13,768,938</u>
Net Position - Governmental Activities	<u><u>\$ 43,145</u></u>

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

CHARLEROI AREA SCHOOL AUTHORITY  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 SCHOOL YEAR ENDED JULY 31, 2019

	Governmental Funds			Totals
	General	Construction Fund	Non-Major Funds	
Revenues				
Local Sources				
Other Local Revenues	\$ 2,265,000	\$ -	\$ -	\$ 2,265,000
Total Revenues				
Expenditures				
Support Services	-	-	-	-
Debt Service	-	-	-	-
Principal and Interest	2,265,000	-	-	2,265,000
Total Expenditures	2,265,000	-	-	2,265,000
Revenues Over (Under) Expenditures				
Other Financing Sources (Uses)				
Interfund Transfers In	-	-	-	-
Interfund Transfers (Out)	-	-	-	-
Total Other Financing Sources	-	-	-	-
Net Change in Fund Balances	-	-	-	-
Fund Balances - August 1, 2018	7	-	-	7
Fund Balances - July 31, 2019	\$ 7	\$ -	\$ -	\$ 7

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



CHARLEROI AREA SCHOOL AUTHORITY  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 SCHOOL YEAR ENDED JULY 31, 2019

Net Change in Fund Balances - Governmental Funds	\$	-
The increase in lease rentals receivables on the statement of activities is recorded as a revenue on the statement of activities, but is not shown in the governmental funds.		732,786
The accretement of bond interest on the statement of activities is recorded as an expense on the statement of activities, but is not shown in the governmental funds.		(732,786)
Current amortization of unamortized bond premiums and discounts are not expensed in the governmental funds. These items are expensed in the statement of activities over the lives of the bond issues to which they are related.		(8,626)
Interfund Transfers (Out)		<u>-</u>
Change in Net Position - Governmental Activities	\$	<u><u>(8,626)</u></u>

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

CHARLEROI AREA SCHOOL AUTHORITY  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET VS ACTUAL - GENERAL FUND  
 SCHOOL YEAR ENDED JULY 31, 2019

	Original Budget	Final Budget	Actual (budgetary basis)	Over (Under) Budget - Final
Revenues				
Local Sources				
Other Local Revenues	\$ -	\$ -	\$ 2,265,000	\$ 2,265,000
Total Revenues			2,265,000	2,265,000
Expenditures				
Debt Service				
Interest Expense	-	-	2,265,000	2,265,000
Total Support Services			2,265,000	2,265,000
Total Expenditures	-	-	-	-
Revenues Over (Under) Expenditures	-	-	-	-
Other Financing Sources (Uses)				
Interfund Transfers In	-	-	-	-
Interfund Transfers (Out)	-	-	-	-
Total Other Financing Sources & (Uses)	-	-	-	-
Net Change in Fund Balances	-	-	-	-
Fund Balance - August 1, 2018	7	7	7	-
Fund Balance - July 31, 2019	\$ 7	\$ 7	\$ 7	\$ -

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

# CHARLEROI AREA SCHOOL AUTHORITY

## Notes to the Financial Statements

### July 31, 2019

#### Note 1 – Summary of Significant Accounting Policies

The Charleroi Area School Authority (the "Authority") is a public body, corporate only, organized and existing under and by virtue of the laws of the Commonwealth of Pennsylvania, having its office and principal place of business in the Borough of Charleroi, Washington County, Pennsylvania. Charleroi Area School District ("School Districts") have heretofore established in the manner required by law, an authority for the purpose of borrowing money for the construction of a school.

The Authority was created February 1, 1989 by the School Districts by filing Articles of Incorporation with the Secretary of the Commonwealth, pursuant to the Municipality Authorities Act of 1945, approved May 2, 1945, P.L. 382, as amended ("Act"), and by said act and its own Articles is authorized among other things, to acquire, hold, construct, improve, maintain, own and lease, whether in the capacity of lessor or lessee, school buildings and other school projects acquired, constructed or improved for the school purposes.

In evaluating the Authority 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 Authority 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 Authority determined that there were no potential component units that met the criteria for inclusion in the reporting entity.

#### **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 Authority consists of all funds, departments, boards and agencies that are not legally separate from the Authority. For Charleroi Area School Authority, this includes general operations.

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

The financial statements of Charleroi Area School Authority 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 Authority's accounting policies.

The Authority's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities and fund financial statements which 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 Authority 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 statement of net position presents the financial condition of the governmental activities of the Authority at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Authority's governmental activities. 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 Authority, 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 Authority.

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

The fund financial statements provide information about the Authority's funds. The emphasis of fund financial statements is on major governmental funds each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

### **C. Fund Accounting**

The Authority 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.

#### **1. Governmental Funds**

Governmental funds are those through which most governmental functions of the Authority 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 is the Authority's major governmental funds:

**General Fund** - The General Fund is the general operating fund of the Authority. It is used to account for all financial resources except those required to be accounted for in another fund.

**Capital Improvement Fund** – The Capital Improvement Fund is the Authority's construction fund and accounts for funds which are typically borrowed and used for major capital improvements.

The other governmental funds of the Authority account for other resources including the debt service fund of the Authority whose use is restricted to a particular purpose.

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

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

The government-wide 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 Authority gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements, and donations. On an accrual basis, 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 Authority 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 Authority, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the Authority receives value without directly giving equal value in return, include grants, entitlements and donations. 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 Authority must provide local resources to be used for a specified purpose; and expenditures requirements, in which the resources are provided to the Authority 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: grants and interest.

#### **4. Deferred Revenues**

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

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

#### **D. 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 July 31, 2019, the Authority has no encumbrances.

#### **E. Cash and Investments**

The Authority is permitted to invest funds consistent with sound business practices in the following types of investments 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) of 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.

Investments are stated at fair value.

### Deposits

Below is a summary of the Authority's deposits which are insured by the Federal Deposit Insurance Corporation, and those which are not insured or collateralized in the Authority'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.

	<u>FDIC Insured</u>	<u>Pooled Collateral</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>
Cash and Deposits	<u>\$ 7</u>	<u>\$ -0-</u>	<u>\$ 7</u>	<u>\$ 7</u>

### F. 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.

### G. Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

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.

### H. 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.

### I. Fund Balances

In accordance with Governmental Accounting Standards Board Statement #54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the Authority 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 July 31, 2019 by the Authority 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 Joint Operating Committee, the Authority's highest level of decision making authority. Commitments

may be modified or rescinded only through resolutions approved by the Joint Operating Committee.

- Assigned – includes amounts that the Authority intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the Authority’s established policy, amounts may be assigned by the Director of the Authority.
- 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 Authority considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Authority considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

The unassigned fund balance in the Authority’s general fund totals \$7.

#### J. 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 – General Long-Term Debt

Changes in the Authority’s long-term obligations during fiscal year 2019 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Bonds, loans & leases payable					
Capital Improvement bonds	\$ -	\$ -	\$ -	\$ -	\$ -
Compound Interest Notes	13,036,152	732,786	-	13,768,938	-
	<u>13,036,152</u>	<u>732,786</u>	<u>-</u>	<u>13,768,938</u>	<u>-</u>
Less bond discount & deferred amount on refunds	(51,764)		8,626	(43,138)	
Governmental activities long-term liabilities	<u>\$ 12,984,388</u>	<u>\$ 732,786</u>	<u>\$ 8,626</u>	<u>\$ 13,725,800</u>	<u>\$ -</u>

#### **General Obligation Bonds**

General Obligation Bonds consist of the Guaranteed School Revenue Bonds, Series of 1999C, and Compound Interest notes interest from 3.75% to 6.00% with final payment due in 2017.



The amounts needed to amortize all bonds payable outstanding as of July 31, 2019 is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	2,265,000	-	2,265,000
2020	2,265,000	-	2,265,000
2021	2,265,000	-	2,265,000
2022	2,265,000	-	2,265,000
2023	2,265,000	-	2,265,000
2024	2,265,000	-	2,265,000
	<u>\$ 13,590,000</u>	<u>\$ -</u>	<u>\$ 13,590,000</u>

Capital Appreciation Bonds, Series C of 1999, stated maturity amount of \$15,855,000, with yields to maturity ranging from 6.300% to 6.380% with the final payment due in 2024.

	<u>Stated Maturity</u>	<u>Value at Issuance</u>	<u>Compound Accreted Value at July 31, 2019</u>
1999 School Revenue Bonds Series C	\$ 15,855,000	\$ 4,073,920	\$ 13,768,938
	<u>\$ 15,855,000</u>	<u>\$ 4,073,920</u>	<u>\$ 13,768,938</u>

### Note 3 – Commitments and Contingencies

The Authority's had no commitments or contingencies as of July 31, 2019.

### Note 4 – Interfund Balances

There were no individual fund interfund receivable and payable balances at July 31, 2019.

### Note 5 – Risk Management

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