

CHARLEROI AREA SCHOOL DISTRICT

Financial Statements

June 30, 2013

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Independent Auditor Report

Members of the Board
Charleroi Area School District
Charleroi, Pennsylvania

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 (CASD), as of and for the year ended June 30, 2013, 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charleroi Area School District, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity 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 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 the Charleroi Area School District's basic financial statements. The combining and individual nonmajor fund financial statements, if any, are presented for purposes of additional analysis and are 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.

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The combining and individual nonmajor fund financial statements 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements 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.

The statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2013, on our consideration of the 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 the School District's internal control over financial reporting and compliance.

December 21, 2013
Charleroi, Pennsylvania

Charleroi Area School District
Statement of Net Position
June 30, 2013

Exhibit 1

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 3,083,222	\$ 21,194	\$ 3,104,416
Delinquent Real Taxes Receivable	590,000		590,000
Due from Other Governments	697,623		697,623
Other Receivables		63,732	63,732
Inventories		4,485	4,485
Prepaid Expenses	<u>56,451</u>		<u>56,451</u>
Total Current Assets	<u>4,427,296</u>	<u>89,411</u>	<u>4,516,707</u>
Noncurrent Assets			
Land	637,195		637,195
Building and Building Improvements	32,165,884		32,165,884
Furniture and Equipment	609,837	26,000	635,837
Unamortized Bond Costs	779,155		779,155
Delinquent Real Estate Tax Receivable	<u>30,000</u>		<u>30,000</u>
Total Noncurrent Assets	<u>34,222,071</u>	<u>26,000</u>	<u>34,248,071</u>
TOTAL ASSETS	<u>\$ 38,649,367</u>	<u>\$ 115,411</u>	<u>\$ 38,764,778</u>
LIABILITIES AND NET POSITION			
Liabilities			
Current Liabilities			
Accounts Payable	\$ 218,520	\$ 98,175	\$ 316,695
Current Portion of Long-Term Debt	1,730,000		1,730,000
Accrued Salaries, Benefits, & Taxes	2,308,974		2,308,974
Internal Balances	166,129	(166,129)	0
Current Portion of Compensated Absences	48,000		48,000
Other Current Liabilities	<u>95,937</u>		<u>95,937</u>
Total Current Liabilities	<u>4,567,560</u>	<u>(67,954)</u>	<u>4,499,606</u>
Noncurrent Liabilities			
Bonds Payable	22,095,000		22,095,000
Authority Lease Obligations	4,168,920		4,168,920
Other Long-Term Liabilities	6,700,235		6,700,235
LT Portion of Compensated Absences	150,290		150,290
Net OPEB Liability- Note 10	<u>1,888,156</u>		<u>1,888,156</u>
Total Noncurrent Liabilities	<u>35,002,601</u>	<u>0</u>	<u>35,002,601</u>
Total Liabilities	<u>39,570,161</u>	<u>(67,954)</u>	<u>39,502,207</u>
Net Position			
Net Investment in Capital Assets	(1,281,239)		(1,281,239)
Restricted for Capital Projects	55,112		55,112
Unrestricted	<u>305,333</u>	<u>183,365</u>	<u>488,698</u>
Total Net Position	<u>(920,794)</u>	<u>183,365</u>	<u>(737,429)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 38,649,367</u>	<u>\$ 115,411</u>	<u>\$ 38,764,778</u>

See Accompanying Notes to Financial Statements

Charleroi Area School District
Statement of Activities
Year Ended June 30, 2013

Exhibit 2

Functions/Programs	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
	Charges For Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities
Governmental Activities				
Instruction	\$ 13,389,871	\$ 3,001,768	\$(10,388,103)	\$ (10,388,103)
Instructional Student Support	943,454	29,049	(914,405)	(914,405)
Administrative and Financial Support Services	2,087,951	161,385	(1,926,566)	(1,926,566)
Operation and Maintenance of Plant Services	1,657,428	32,277	(1,625,151)	(1,625,151)
Pupil Transportation	1,241,110	401,463	(839,647)	(839,647)
Student Activities	373,066	3,228	(369,838)	(369,838)
Interest on Long-Term Debt	1,425,710	737,903	(687,807)	(687,807)
Total Governmental Activities	<u>21,118,590</u>	<u>4,367,073</u>	<u>(16,751,517)</u>	<u>(16,751,517)</u>
Business-Type Activities				
Food Service	752,912	433,650	-	29,930
Total Primary Government	<u>\$ 21,871,502</u>	<u>\$ 4,800,723</u>	<u>(16,751,517)</u>	<u>(16,721,587)</u>
General Revenues				
Property Taxes - General Levy			7,827,894	7,827,894
Grant Subsidies, Contributions & Other Taxes			8,007,873	8,012,686
Investment Earnings			5,472	5,473
Miscellaneous Income			42,841	42,841
Total General Revenues			<u>15,884,080</u>	<u>15,888,894</u>
Changes in Net Position			(867,437)	(832,693)
Net Position - July 1, 2012			(53,357)	95,264
Net Position - June 30, 2013			<u>\$ (920,794)</u>	<u>\$ (737,429)</u>

See Accompanying Notes to Financial Statements

Charleroi Area School District
Balance Sheet
Governmental Funds
June 30, 2013

Exhibit 3

	General Fund	Capital Projects Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 2,882,351	\$ 200,871	\$ 3,083,222
Taxes Receivable	620,000		620,000
Due from Other Funds	122,500	(122,500)	0
State Revenue Receivables	175,214		175,214
Federal Revenue Receivables	522,409		522,409
Prepaid Expenses/Expenditures	<u>56,451</u>	<u> </u>	<u>56,451</u>
TOTAL ASSETS	<u>\$ 4,378,925</u>	<u>\$ 78,371</u>	<u>\$ 4,457,296</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts Payable	\$ 195,261	\$ 23,259	\$ 218,520
Accrued Salaries and Benefits	2,102,383		2,102,383
Payroll Deductions and Withholding	206,591		206,591
Due to Other Funds	166,129		166,129
Deferred Revenues	<u>620,000</u>	<u> </u>	<u>620,000</u>
Total Liabilities	<u>\$ 3,290,364</u>	<u>\$ 23,259</u>	<u>\$ 3,313,623</u>
Fund Balances			
Non Spendable	\$ 56,451	\$	\$ 56,451
Unassigned	1,032,110		1,032,110
Committed to Capital Projects	<u> </u>	<u>55,112</u>	<u>55,112</u>
Total Fund Balances	<u>\$ 1,088,561</u>	<u>\$ 55,112</u>	<u>\$ 1,143,673</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,378,925</u>	<u>\$ 78,371</u>	<u>\$ 4,457,296</u>

See Accompanying Notes to Financial Statements

Charlevoix Area School District
 Reconciliation of the Governmental Funds Balance Sheet
 to the Statement of Net Position
 Year Ended June 30, 2013

Exhibit 4

Total Fund Balances - Governmental Funds \$ 1,143,673

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Cost of capital assets	52,111,108	
Less: accumulated depreciation	<u>(18,698,192)</u>	
		33,412,916

Long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds.

Bonds payable	(27,993,920)	
Accrued compensated absences	(198,290)	
Other postemployment benefit obligation (OPS)	<u>(1,888,156)</u>	
		(30,080,366)

Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and are, therefore, deferred in the funds. 620,000

Governmental funds report debt issuance premiums and discounts as an other financing source or use at the time of issuance. Premiums, discounts, and deferred charges are reported as an unamortized asset in the District-wide financial statements. 779,155

Governmental funds do not report a liability for accrued interest until due and payable. (6,796,172)

TOTAL NET POSITION - Governmental Activities \$ (920,794)

See Accompanying Notes to Financial Statements

Charleroi Area School District
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2013

Exhibit 5

	General Fund	Capital Project Fund	Total Governmental Funds
Revenues			
Local Sources	\$ 7,938,580	\$ 1,731	\$ 7,940,311
State Sources	11,526,188		11,526,188
Federal Sources	793,420		793,420
Total Revenues	<u>20,258,188</u>	<u>1,731</u>	<u>20,259,919</u>
Expenditures			
Regular programs	8,669,492		8,669,492
Special programs	2,805,404		2,805,404
Vocational programs	502,198		502,198
Other instructional	338,357		338,357
Pupil personnel services	607,093		607,093
Instructional staff services	177,944		177,944
Administrative services	1,189,386		1,189,386
Pupil health	233,190		233,190
Business services	182,878		182,878
Operation of plant	1,557,700	342,369	1,900,069
Student transportation	1,178,780		1,178,780
Central & other support	395,255		395,255
Student activities	345,133		345,133
Community Service	3,000		3,000
Debt service	<u>2,480,913</u>	<u> </u>	<u>2,480,913</u>
Total Expenditures	<u>20,666,723</u>	<u>342,369</u>	<u>21,009,092</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(408,535)</u>	<u>(340,638)</u>	<u>(749,173)</u>
Other Financing Sources (Uses)			
Interfund transfer	<u>122,500</u>	<u>(122,500)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	<u>(286,035)</u>	<u>(463,138)</u>	<u>(749,173)</u>
Fund Balances - July 1, 2012	<u>1,374,596</u>	<u>518,250</u>	<u>1,892,846</u>
Fund Balances - June 30, 2013	<u>\$ 1,088,561</u>	<u>\$ 55,112</u>	<u>\$ 1,143,673</u>

See Accompanying Notes to Financial Statements

Charleroi Area School District
 Reconciliation of the Governmental Funds
 Statement of Revenues, Expenditures
 and Changes in Fund Balances
 to the Statement of Activities
 Year Ended June 30, 2013

Exhibit 6

Change in Fund Balances - Governmental Funds	\$(749,173)
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Amounts reported for governmental activities in the statement of activities are different because:

Payments of debt service principal for current year	1,575,000
Inclusion of accrued interest payable on authority obligations and bonds payable	(488,074)
Current acquisition costs of non-current fixed assets reported as expenditures in governmental funds statements	342,370
Depreciation expense for current year not reported in governmental funds	(1,246,603)
Amortization expense of bond costs for current year not reported in Governmental funds	(65,472)
Net change in compensated absences for current year	19,459
Net change in delinquent taxes receivable	25,000
Net change in OPEB liability at year end	(279,944)

Change in Net Position - Governmental Activities	\$(<u>867,437</u>)
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See Accompanying Notes to Financial Statements

Charleroi Area School District
Statement of Net Position
Proprietary Fund
June 30, 2013

Exhibit 7

Food Service
Fund

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 21,194
Due from Other Governments	0
Other Receivables	63,732
Interfund Receivable	166,129
Inventories	<u>4,485</u>

Total Current Assets 255,540

Fixed Assets, net of accumulated depreciation 26,000

TOTAL ASSETS \$ 281,540

LIABILITIES AND NET POSITION

Liabilities

Current Liabilities

Accounts Payable	\$ 98,175
Interfund Payable	<u>0</u>

Total Current Liabilities 98,175

Net Position

Net Investment in Capital Assets	26,000
Unrestricted	<u>157,365</u>

Total Net Position 183,365

TOTAL LIABILITIES AND NET POSITION \$ 281,540

See Accompanying Notes to Financial Statements

Charleroi Area School District
Statement of Revenues, Expenses and Changes
in Fund Net Position
Proprietary Fund
Year Ended June 30, 2013

Exhibit 8

	<u>Food Service Fund</u>
Operating Revenues	
Food Service Revenue	\$ 317,795
Operating Expenses	
Salaries	198,732
Employee Benefits	74,971
Food Costs	312,798
Other Purchased Services, etc	163,522
Depreciation Expense	<u>2,889</u>
Total Operating Expenditures	<u>752,912</u>
Operating Income (Loss)	(435,117)
Nonoperating Revenues (Expenses)	
State Sources	26,600
Federal Sources	407,050
Donated Commodities Received -- Federal	31,397
Earnings on Investments	1
Other Revenues	<u>4,813</u>
Total Nonoperating Revenues (Expenses)	<u>469,861</u>
Change in Net Position	34,744
Total Net Position - July 1, 2012	<u>148,621</u>
Total Net Position - June 30, 2013	<u>\$ 183,365</u>

See Accompanying Notes to Financial Statements

Charleroi Area School District
Statement of Cash Flows
Proprietary Fund Type
Year Ended June 30, 2013

Exhibit 9

	<u>Food Service Fund</u>
Cash Flows from Operating Activities	
Cash Received from Users and Other Receipts	\$ 317,795
Cash Payments to Employees for Services & Suppliers	<u>(563,103)</u>
Net Cash Used by Operating Activities	<u>(245,308)</u>
Cash Flows from Non-Capital Financing Activities	
State Sources	31,413
Federal Sources	<u>407,050</u>
Net Cash Provided by Non-Capital Financing Activities	<u>438,463</u>
Cash Flows from Capital and Related Financing Activities	
Purchase of Equipment	<u>(28,889)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(28,889)</u>
Cash Flows from Investing Activities	
Earnings on Investments	1
Loans Due from General Fund	<u>(166,129)</u>
Net Cash Used by Investing Activities	<u>(166,128)</u>
Net Change in Cash and Cash Flows	<u>(1,862)</u>
Cash and Cash Equivalents - Beginning of Year	<u>23,056</u>
Cash and Cash Equivalents - End of Year	<u>\$ 21,194</u>
Reconciliation of Operating Loss to Cash Used by Operating Activities	
Operating Income (Loss)	\$(435,117)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used for Operating Activities	
Depreciation Expense	2,889
Donated Commodities Used	31,397
Changes in Assets and Liabilities	
(Increase) Decrease in Inventories/accounts receivable	79,024
Increase (Decrease) in Accounts Payable	<u>76,499</u>
Total Adjustments	<u>189,809</u>
Cash Used for Operating Activities	<u>\$(245,308)</u>

Noncash Investing, Capital and Financing Activities:

During the year ended June 30, 2013, the School District received \$31,397 of U.S.D.A. Donated Commodities in the food service fund.

See Accompanying Notes to Financial Statements

Charleroi Area School District
Statement of Net Position & Changes In Fiduciary Net Position
Fiduciary Funds
June 30, 2013

Exhibit 10

	<u>Activity Funds</u>
ASSETS	
Cash and Equivalents	\$ 86,319

TOTAL ASSETS	<u>\$ 86,319</u>
 LIABILITIES AND NET ASSETS	
Liabilities	
Other Current Liabilities	\$ 86,319
 Net Position	
Restricted	_____ 0
TOTAL LIABILITIES AND NET POSITION	<u>\$ 86,319</u>
 FIDUCIARY NET POSITION, BEGINNING OF YEAR	 \$ 88,248
LESS: CHANGE IN NET ASSETS, CURRENT YEAR	(1,929)

FIDUCIARY NET POSITION, END OF YEAR	<u>\$ 86,319</u>

See Accompanying Notes to Financial Statements

Charleroi Area School District
Notes to Financial Statements
June 30, 2013

Note 1 - Summary of Significant Accounting Policies

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

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

The following is a summary of the more significant policies:

A. Financial Reporting Entity

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

B. Government-Wide and Fund Financial Statements

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

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

Charleroi Area School District
Notes to Financial Statements
June 30, 2013

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

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

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

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

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

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

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

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

The School District reports the following major governmental funds:

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

Charleroi Area School District
Notes to Financial Statements
June 30, 2013

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

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

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

The School District reports the following proprietary fund:

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

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

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

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

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

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

D. Cash and Cash Equivalents

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

Charleroi Area School District
Notes to Financial Statements
June 30, 2013

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

E. Budgets

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

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

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

F. Receivables and Payables

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

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

G. Inventories

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

H. Prepaid Expenses

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

Charleroi Area School District
Notes to Financial Statements
June 30, 2013

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

I. Capital Assets

Capital assets, which include property, plant, equipment and land improvements are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of more than \$4,000 and an estimated useful life in excess of one year. In addition, capital assets purchased with long-term debt may be capitalized regardless of the thresholds established. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

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

All reported capital assets are depreciated using the straight-line method over the following estimated useful lives. Land is not depreciated.

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

J. Long-Term Obligations

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

Charleroi Area School District
Notes to Financial Statements
June 30, 2013

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

K. Compensated Absences

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

L. Investments

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

M. Net Position and Fund Balance

Beginning with the year ended June 30, 2011, the School District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the School District's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

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

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

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

Charleroi Area School District
Notes to Financial Statements
June 30, 2013

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

M. Net Position - continued

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

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

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

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

Note 2 - Deposits and Investments

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

At year-end the carrying amount of the District's deposits was \$3,190,735 while the balance on the bank records was approximately \$3,400,000.

Custodial Credit Risk - Deposits

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

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

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

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

Charleroi Area School District
Notes to Financial Statements
June 30, 2013

Note 2 - Deposits and Investments (Cont'd)

Investments

The Pennsylvania School District Liquid Asset Fund (PSDLAF) was established as a common law trust, organized under laws of the Commonwealth of Pennsylvania. Shares of the fund are offered to certain Pennsylvania school districts, intermediate units, area vocational-technical schools and municipalities. The purpose of the fund is to enable such governmental units to pool their available funds for investments authorized by Section 440.1 of the Pennsylvania Public School Code of 1949, as amended. These funds have the characteristics of open-end mutual funds and are not subject to credit risk classification.

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

Note 3 - Real Estate Taxes

The municipal tax collectors bill and collect real estate taxes on behalf of the School District based upon assessed values provided by the County. The School District's tax rate for all purposes in 2012/2013 was 130 mills. The tax calendar for real estate taxes levied for 2012/2013 is as follows:

Tax Levy Date	July 1
2% Discount Period	Through September 30
Face Payment Period	October 1 - November 30
10% Penalty Period	December 1 Until Liened
Lien Filing Date	January 1

The amounts shown as delinquent real estate taxes receivable have not been recorded as revenue on the fund statements. These taxes are, however, recorded as deferred revenue on the balance sheet until they are received. The amounts reported for this receivable are reported on the balance sheet in the amount of \$620,000.

Note 4 - Interfund Balances

Interfund balances at year end were:

	Interfund Receivable	Interfund Payable
General Fund	\$ 122,500	\$ 166,129
Food Service Fund	166,129	
Capital Projects Fund	_____	122,500
	<u>\$ 288,629</u>	<u>\$ 288,629</u>

Charleroi Area School District
Notes to Financial Statements
June 30, 2013

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

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

Plan Description

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

Type of plan: Governmental cost sharing multiple-employer defined benefit plan (401a)

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

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

Annual Financial Report: The System issues a comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Beth Girman, Office of Financial Management, Public School Employees' Retirement System, 5 N 5th Street, Harrisburg, PA 17101-1905. The CAFR is also available on the PSERS website at: www.psers.state.pa.us.

Funding Policy

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

Contribution rates:

Member Contributions -

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

Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25 percent (Membership Class TC) or at 7.50 percent (Membership Class TD) of the member's qualifying compensation.

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

Charleroi Area School District
Notes to Financial Statements
June 30, 2013

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

Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (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 - Contributions required of employers are based upon an actuarial valuation. For fiscal year ended June 30, 2013, the rate of employer's contribution was 12.36 percent of covered payroll. The 12.36 percent rate is composed of a pension contribution rate of 11.50 percent for pension benefits and 0.86 percent for healthcare insurance premium assistance.

Note 6 - Long-Term Debt

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

	<u>Original Issue Amount</u>	<u>Balance 6/30/12</u>	<u>Issued Current Year</u>	<u>Retired Current Year</u>	<u>Balance 6/30/13</u>
GOB Refunding Series of 2009	\$ 13,950,000	13,950,000	0	0	13,950,000
GOB Refunding Series of 2009	4,530,000	<u>2,365,000</u>	<u>0</u>	<u>1,170,000</u>	<u>1,195,000</u>
		<u>\$ 16,315,000</u>	<u>\$ 0</u>	<u>\$ 1,170,000</u>	<u>\$ 15,145,000</u>
<u>Authority Bond Obligations</u>					
Refunding Series of 2008	9,750,000	8,635,000	0	255,000	8,680,000
Refunding Series of 99B	1,985,000	150,000	0	150,000	0
Guaranteed Revenue Bonds Series 99C	4,168,920	<u>4,168,920</u>	<u>0</u>	<u>0</u>	<u>4,168,920</u>
		<u>\$ 13,253,920</u>	<u>0</u>	<u>\$ 405,000</u>	<u>\$ 12,848,920</u>
		<u>\$ 29,568,920</u>	<u>\$ 0</u>	<u>\$ 1,575,000</u>	<u>\$ 27,993,920</u>
Current					\$ 1,730,000
Long-term					<u>26,263,920</u>
					<u>\$ 27,993,920</u>

Charleroi Area School District
Notes to Financial Statements
June 30, 2013

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

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

Refunding Series of 2008, \$9,750,000, due serially through September 2017, interest semiannually from 2.0% to 3.6%.	\$ 8,680,000
Guaranteed Revenue Bonds Series 99C, \$4,168,920, zero coupon bonds due October 2024.	4,168,920
GOB Refunding Series A of 2009, \$13,950,000, due serially through November 2033, interest due semiannually from 5% to 6%.	13,950,000
GOB Refunding Series B of 2009, \$4,530,000, due serially through November 2013, interest due semiannually from .75% to 1.5%.	<u>1,195,000</u>
	<u>\$ 27,993,920</u>

The annual requirements to amortize all debt outstanding of \$27,993,920 are provided below:

Year Ended June 30	Principal	Interest	Total
2014	\$ 1,730,000	\$ 1,202,458	\$ 2,932,458
2015	1,965,000	1,153,794	3,118,794
2016	2,030,000	1,088,263	3,118,263
2017	2,100,000	1,017,391	3,117,391
2018	2,180,000	943,466	3,123,466
After	<u>17,988,920</u>	<u>20,602,828</u>	<u>38,591,748</u>
Total	<u>\$ 27,993,920</u>	<u>\$ 26,008,200</u>	<u>\$ 54,002,120</u>

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

Charleroi Area School District
Notes to Financial Statements
June 30, 2013

Note 7 - Capital Assets

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

	Balance <u>7/1/12</u>	Additions	Deletions	Balance <u>6/30/13</u>
Land	\$ 637,195	\$ 0	\$	\$ 637,195
Building & improvements	48,179,581	342,370		48,521,951
Furniture & equipment	<u>3,102,637</u>	<u>28,889</u>	<u>25,000</u>	<u>3,106,526</u>
	<u>\$ 51,919,413</u>	<u>\$ 371,259</u>	<u>\$ 25,000</u>	<u>\$ 52,265,672</u>
Less Accumulated Depreciation:				
Building & improvements	\$ 15,141,410	\$ 1,080,441		\$ 16,221,851
Furniture & equipment	<u>2,460,854</u>	<u>169,051</u>	<u>\$ 25,000</u>	<u>2,604,905</u>
	<u>\$ 17,602,264</u>	<u>\$ 1,249,492</u>	<u>\$ 25,000</u>	<u>\$ 18,826,756</u>
Capital Assets (net)	<u>\$ 34,317,149</u>	<u>\$ (878,233)</u>	<u>\$ 0</u>	<u>\$ 33,438,916</u>

The business-type capital activities included above follows below. Business-type additions during the current year totaled \$28,889.

	<u>6/30/13</u>
Furniture & equipment, at cost	\$ 154,564
Accumulated depreciation	<u>(128,564)</u>
Net Book Value	<u>\$ 26,000</u>

Depreciation expense of \$1,249,492 was charged to functions/programs as follows:

	<u>Governmental Activities</u>	<u>Business Type Activity</u>
Instruction	\$ 910,020	\$
Instructional Student Support	62,330	
Administration & Financial Support	87,262	
Operation & Maintenance of Plant, etc.	99,728	2,889
Student Activities	<u>87,263</u>	<u> </u>
Total Depreciation Expense	<u>\$ 1,246,603</u>	<u>\$ 2,889</u>

Charleroi Area School District
Notes to Financial Statements
June 30, 2013

Note 8 - Contingent Liabilities

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

Note 9 - Capital Lease Payable

On July 22, 2008 the District entered into a lease purchase agreement for three school busses costing \$235,737 through capital leasing arrangements in the general fund. Interest is provided at 4.08% annually. At the end of the current year, the cost and accumulated depreciation of these busses are \$235,737 and \$115,905 respectively.

Capital lease activity for the current year is as follows:

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

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

Year ending June 30, 2014	\$ 0
Amount representing interest	<u>0</u>
Present value of minimum lease payments	<u>\$ 0</u>

Note 10 - Other Post-Employment Benefits Plan

A. Plan Description

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

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

Teacher Eligibility Requirements

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

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

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

Act 93 Administrators Eligibility Requirements

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

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

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

B. Funding Policy

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

Charleroi Area School District
Notes to Financial Statements
June 30, 2013

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

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

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

Annual required contribution	\$ <u>536,302</u>
Annual OPEB cost (expense)	536,302
Contributions made etc.	<u>(256,358)</u>
Increase in net OPEB obligation	279,944
Net OPEB obligation - beginning of year	<u>1,608,212</u>
 Net OPEB obligation - end of year	 <u>\$ 1,888,156</u>

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2009	\$ 814,087	\$ 335,444	41.2%	\$ 478,643
June 30, 2010	\$ 814,087	\$ 365,641	44.9%	\$ 448,446
June 30, 2011	\$ 709,277	\$ 370,884	52.3%	\$ 338,393
June 30, 2012	\$ 698,953	\$ 356,223	50.9%	\$ 342,730
June 30, 2013	\$ 536,302	\$ 256,358	47.8%	\$ 279,944

D. Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits is \$6,070,162, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$6,070,162.

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

Charleroi Area School District
Notes to Financial Statements
June 30, 2013

E. Actuarial Methods and Assumptions

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

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

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

Salary Scale - None assumed

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

Termination - Sarason T-3.

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

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

Rates of Disablement - Rates of disablement were not assumed.

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

Administrative Expenses - None assumed.

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

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

Medical inflation - 8% in the first year gradually decreasing by 1% per year, to an ultimate rate of 5%.

ACTUARIAL METHODS

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

Valuation of Assets - Market value of assets was used.

Note 11 - Use of Estimates

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

Charleroi Area School District
Statement of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2013

Exhibit 11

	Budgeted Amounts		Actual (Budgetary)	Variance With Final Budget Positive (Negative)
	Original	Final	Basis)	
REVENUES				
Local Sources	\$ 7,860,392	\$ 7,860,392	\$ 7,938,580	\$ 78,188
State Sources	11,463,872	11,463,872	11,526,188	62,316
Federal Sources	<u>948,000</u>	<u>948,000</u>	<u>793,420</u>	<u>(154,580)</u>
TOTAL REVENUES	\$ 20,272,264	\$20,272,264	\$20,258,188	\$(14,076)
EXPENDITURES				
Regular Programs	8,805,001	8,805,001	8,669,492	135,509
Special Programs	2,215,437	2,215,437	2,805,404	(589,967)
Vocational Programs	493,688	493,688	502,198	(8,510)
Other Instructional Programs	98,997	98,997	338,357	(239,360)
Pupil Personnel Services	641,732	641,732	607,093	34,639
Instructional Staff Services	169,310	169,310	177,944	(8,634)
Administrative Services	1,212,639	1,212,639	1,189,386	23,253
Pupil Health	227,238	227,238	233,190	(5,952)
Business Services	218,246	218,246	182,878	35,368
Operation and Maintenance of Plant Services	1,438,682	1,438,682	1,557,700	(119,018)
Student Transportation Services	1,208,046	1,208,046	1,178,780	29,266
Central & Other Support Services	461,748	461,748	395,255	66,493
Student Activities	341,691	341,691	345,133	(3,442)
Community Services	3,000	3,000	3,000	0
Debt Service (Principal & Interest)	<u>2,736,809</u>	<u>2,736,809</u>	<u>2,480,913</u>	<u>255,896</u>
TOTAL EXPENDITURES	<u>20,272,264</u>	<u>20,272,264</u>	<u>20,666,723</u>	<u>(394,459)</u>
EXCESS (DEFICIENCY) OF REVENUES				
OVER EXPENDITURES	0	0	(408,535)	(408,535)
OTHER FINANCING SOURCES (USES)				
Transfers	<u>0</u>	<u>0</u>	<u>122,500</u>	<u>122,500</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>0</u>	<u>0</u>	<u>122,500</u>	<u>122,500</u>
NET CHANGE IN FUND BALANCES	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$(286,035)</u>	<u>\$(286,035)</u>
FUND BALANCE - BEGINNING OF YEAR			1,374,596	
FUND BALANCE - END OF YEAR			<u>\$ 1,088,561</u>	

See Accompanying Notes to Financial Statements

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

Dear Members:

The reports contained in this single audit section are required in addition to the financial statements. The various reports for Charleroi Area School District for the period ended June 30, 2013 were prepared to fulfill the requirements of the Office of Management and Budget's Circular A-133. A summary of the reports are as follows:

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

Respectfully submitted,

Certified Public Accountants
December 21, 2013

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*

Members of the Board
Charleroi Area School District
Washington County, 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 (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 21, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

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

Compliance and Other Matters

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

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.

Certified Public Accountant
December 21, 2013

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

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

Report on Compliance for Each Major Federal Program

We have audited Charleroi Area School District's (the District) 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, 2013. 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 the 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 the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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, 2013.

Report on Internal Control Over Compliance

The management of the 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 the District's internal control over compliance with the types of requirements that

could have a direct and material effect on a 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 the District's internal control over compliance.

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

Certified Public Accountant
December 21, 2013

Charleroi Area School District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

Exhibit C

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the financial statements of Charleroi Area School District.
2. No reportable conditions relating to the audit of the financial statements are reported in these statements.
3. No instances of noncompliance material to the financial statements of Charleroi Area School District were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs are reported in these financial statements.
5. The auditor's report on compliance for the major federal award program for the Charleroi Area School District expresses an unqualified opinion.
6. Audit findings relative to the major federal award programs for Charleroi Area School District are reported in Part C of this Schedule.
7. The programs tested as major programs are the Title I Grants to Local Educational Agencies and Program Set Aside – 84.010 (Type A), and Special Education Grants – 84.027 (Type B). Title I grants with CFDA #84.010 are a cluster.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Charleroi Area School District is a high-risk auditee.

B. Findings - Financial Statements Audit

None

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

None

Charleroi Area School District
 Schedule of Expenditures of Federal Awards & Other State Assistance
 Year Ended June 30, 2013

Federal Grantor/ Pass Through Grantor/ Project Title	Source Code	Federal CFDA Number	Pass Through Grantor's Number	Grant Period Beginning/ Ending Date	Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue 07/01/12	Revenue Recognized	Expend- itures	Accrued or (Deferred) Revenue 06/30/13
U.S. Department of Agriculture Passed through the Pennsylvania Department of Education										
Title I	I	84.010	13-130077	2012-13	\$ 378,314	\$ 105,071	\$ 0	\$ 378,314	\$ 378,314	\$ 273,243
Title I - Program Set Aside	I	84.010	42-120077	2012-13	68,436	20,128	0	68,436	68,436	48,308
Title II-A	I	84.367	20-130077	2012-13	99,436	26,624	0	99,436	99,436	72,812
Medical Assistance	I	93.778	044-127077	2011-12	71,641	0	71,641	0	0	71,641
Education Jobs Fund - ARRA	I	84.410	140-120077	2012-13	8,388	8,388	0	8,388	8,388	0
Passed Through Washington County I.U.										
IDEA B	I	84.027	062-13001	2012-13	238,846	238,846	0	238,846	238,846	0
Total U.S. Department of Education						\$ 399,057	\$ 71,641	\$ 793,420	\$ 793,420	\$ 466,004

NOTE: Title I Programs CFDA 84.010 are a cluster.

Charleroi Area School District
 Schedule of Expenditures of Federal Awards & Other State Assistance
 Year Ended June 30, 2013

Exhibit D

Federal Grantor/ Pass Through Grantor/ Project Title	Source Code	Federal CFDA Number	Pass Through Grantor's Number	Grant Period Beginning/ Ending Date	Total Received for the Year	Accrued or (Deferred) Revenue 07/01/12	Revenue Recognized	Expend- itures	Accrued or (Deferred) Revenue 06/30/13
U.S. Department of Agriculture Passed through the Pennsylvania Department of Education									
Food Nutrition Service-Lunch	S	N/A	N/A	12-13	\$ 17,757	\$ 0	\$ 20,391	\$ 20,391	\$ 2,634
Food Nutrition Service - Breakfast Needy	S	N/A	N/A	12-13	5,316	0	6,189	6,189	873
Nutritional Standards Incentive	S	N/A	N/A	12-13	20	0	20	20	0
Lunch Hi/Lo	I	10.555	N/A	12-13	266,938	0	306,098	306,098	39,160
Severe Need Breakfast	I	10.553	N/A	12-13	82,077	0	95,815	95,815	13,738
Summer Fund Service	I	10.559	N/A	12-13	5,137	0	5,137	5,137	0
Passed through PA Department of Agriculture									
Value of USDA Donated Commodities	I	10.550	N/A	12-13	<u>31,397</u>	<u>(7,498)</u>	<u>34,410</u>	<u>34,410</u>	<u>(4,485)</u>
SUBTOTAL -- THIS PAGE (NUTRITION CLUSTER)						\$ 408,642	\$ 468,060	\$ 468,060	\$ 51,920
Total Federal Assistance & Other State Assistance						\$ 64,143	\$1,261,480	\$1,261,480	\$ 517,924

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

Charleroi Area School District
List of Report Distribution
June 30, 2013

1 Single Audit Report,
Data Collection Form and
Single Audit Reporting
Package Checklist

Must be submitted via Electronic Mail (E-mail)
Commonwealth of Pennsylvania
Office of the Budget – Bureau of Audits
Special Audit Services Division
RA-BOA_SingleAudit@state.pa.us

1 Single Audit Report and
Data Collection Form

Federal Audit Clearinghouse
Via Internet Website
www.harvester.census.gov/sac