

Dr Robert Ketterer CS, Inc.

Charter Annual Report

07/01/2013 - 06/30/2014

School Profile

Demographics

1133 Village Way
Latrobe, PA 15650
(724)537-9110

Phase:
CEO Name:
CEO E-mail address:

Phase 2
Eric Guldin
eric.guldin@ketterercharter.org

Governance and Staff

Leadership Changes

Leadership changes during the past year on the Board of Trustees and in the school administration:

The Dr. Robert Ketterer Charter School has had one Board member resign due to other commitments and has elected a new member.

Board of Trustees Meeting Schedule

Location	Date and Time
Adelphoi Education Center	9/8/2014 6:30 PM
Adelphoi Education Center	10/13/2014 6:30 PM
Adelphoi Education Center	11/10/2014 6:30 PM
Adelphoi Education Center	12/8/2014 6:30 PM
Adelphoi Education Center	1/12/2015 6:30 PM
Adelphoi Education Center	2/9/2015 6:30 PM
Adelphoi Education Center	3/9/2015 6:30 PM
Adelphoi Education Center	4/13/2015 6:30 PM
Adelphoi Education Center	5/11/2015 6:30 PM
Adelphoi Education Center	6/2/2015 6:30 PM

Professional Staff Member Roster

There are no professional staff members.

The professional staff member roster as recorded originally on the PDE-414 form

DOC file uploaded.

Quality of Teaching and Other Staff

Position Categories	All Employed per Category	Appropriately Certified	Promoted	Transferred	Terminated	Contracted for Following Year
Chief Academic Officer/Director	1.00	1.00				1.00

Principal	1.00	1.00				1.00
Assistant Principal	3.00	3.00				3.00
Classroom Teacher (including Master Teachers)	24.00	24.00				24.00
Specialty Teacher (including Master Teachers)						
Special Education Teacher (including Master Teachers)						
Special Education Coordinator	4.00	4.00				4.00
Counselor	1.00	1.00				1.00
Psychologist						
School Nurse	1.00	1.00				1.00
Totals	35.00	35.00	0	0	0	35.00

Further explanation:

This narrative is empty.

Fiscal Matters

Major Fundraising Activities

Major fundraising activities performed this year and planned for next year:

Our current fund raising efforts are limited to diligence in acquiring both State and Federal grants for which we are eligible.

Fiscal Solvency Policies

Changes to policies and procedures to ensure and monitor fiscal solvency:

An automated accounting system is utilized and incorporates the required Pennsylvania State Chart of Accounts for recording and reporting purposes. The system has individual modules for general ledger, accounts receivable and accounts payable to record financial activity, which integrates this information into the preparation of the financial statements. The preparation of the financial statements are reviewed by appropriate internal accounting personnel for the compliance of GAAP and for variance analysis related to the comparison of budget, actual and prior year totals on a monthly basis. The Dr. Robert Ketterer Charter School targets to maintain an operating margin of approximately 3% and 60 to 90 days cash on hand.

Fiscal Solvency Policies

Charter School documents that describe policies and procedures that have been established to ensure and monitor fiscal solvency (optional if described in the narrative)

No files have been uploaded.

Accounting System

Changes to the accounting system the charter school uses:

There have not been any changes.

Preliminary Statements of Revenues, Expenditures & Fund Balances

The completed and CEO signed Fiscal Template – Preliminary Statements of Revenues, Expenditures & Fund Balances

XLS file uploaded.

Financial Audits

Basics

Audit Firm: Horner Wible & Terek

Date of Last Audit: 12/18/2013
 Fiscal Year Last Audited: 2012-2013

Explanation of the Report

Detailed explanation of the report (if the previous year's report has been submitted.) Any audit report for a school year that precedes this annual report by more than 2 years is not acceptable and may be considered a material violation:

Our independent auditors are currently preparing the single audit for the 6/30/14 fiscal year for the Dr. Robert Ketterer Charter School. The finalized report for the 2013-2014 school year should be final in October 2014. The Dr. Robert Ketterer Charter School utilizes the services of Horner Wible & Terek, PC CPA's to audit the school's financial records. December 18, 2014 is the date of the last audit. It was a clean audit with an unqualified opinion.

Financial Audit Report

The Financial Audit Report, which should include the auditor's opinion and any findings resulting from the audit

PDF file uploaded.

Citations

Financial audit citations and the corresponding Charter School responses

Description	Response
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Federal Programs Consolidated Review

Basics

Title I Status: Yes
 Date of Last Federal Programs Consolidated Review: 05/23/2014
 School Year Reviewed: 2013-2014

Federal Programs Consolidated Review Report

The Federal Programs Consolidated Review Report, which should include the Division's opinion and any findings resulting from the audit

DOCX file uploaded.

Citations

Federal Programs Consolidated Review citations and the corresponding Charter School responses

Description	Response
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Special Education

Chapter 711 Assurances

The LEA agrees to comply with all requirements of Special Education outlined in 22 PA Code Chapter 711 and other state and federal mandates. These include:

Implementation of a full range of services, programs and alternative placements available to the Charter School for placement and implementation of the special education programs in the Charter School.

Implementation of a child find system to locate, identify and evaluate young children and children who are thought to be a child with a disability eligible for special education residing within the Charter School's jurisdiction. Child find data is collected, maintained and used in decision-making. Child find process and procedures are evaluated for their effectiveness. The Charter School implements mechanisms to disseminate child find information to the public, organizations, agencies and individuals on at least an annual basis.

Assurances of students with disabilities are included in general education programs and extracurricular and non-academic programs and activities to the maximum extent appropriate in accordance with an Individualized Education Program.

Following the state and federal guidelines for participation of students with disabilities in state and Charter School-wide assessments including the determination of participation, the need for accommodations and the methods of assessing students for whom regular assessment is not appropriate.

Assurance of funds received through participation in the medical assistance reimbursement program, ACCESS, will be used to enhance or expand the current level of services and programs provided to students with disabilities in this local education agency.

Special Education Support Services

Support Service	Location	Teacher FTE
Special Education Coordinator	Dr. Robert Ketterer Charter School	1
Special Education Coordinator	Dr. Robert Ketterer Charter School	1
Special Education Coordinator	Dr. Robert Ketterer Charter School	1
Special Education Coordinator	Dr. Robert Ketterer Charter School	1
Special Education Coordinator	Dr. Robert Ketterer Charter School	1

Special Education Contracted Services

Title	Amt. of Time per Week	Operator	Number of Students
Speech services	1 Days	Intermediate Unit	10 or fewer

Special Education Cyclical Monitoring

Date of Last Special Education Cyclical Monitoring:
Link to Report (Optional):

12/05/2011
Not Provided

Special Education Cyclical Monitoring Report

The Special Education Cyclical Monitoring Report, which should include the Bureau's findings
PDF file uploaded.

Facilities

Fixed assets acquired by the Charter School during the past fiscal year

Fixed assets acquired by the Charter School during the past fiscal year:

Erate Year 14

Adelphoi Education Center furniture

The total Charter School expenditures for fixed assets during the identified fiscal year:

\$24,469.00

Facility Plans and Other Capital Needs

The Charter School's plan for future facility development and the rationale for the various components of the plan:

None at this time.

Memorandums of Understanding

Organization	Purpose
City of Latrobe Police Department	The purpose of the Memorandum of Understanding between the City of Latrobe Police Department and the Dr. Robert Ketterer Charter School is to establish procedures to be followed when certain specific incidents occur on school property, at any school sponsored activity or on any public conveyance providing transportation to or from a school or school sponsored activity, including but not limited to a school bus. This Memorandum serves the purpose of fostering a relationship of cooperation and mutual support between the parties hereto as they work together to maintain the physical security and safety of the School Entity.
Pennsylvania State Police	The purpose of the Memorandum of Understanding between the Pennsylvania State Police and the Dr. Robert Ketterer Charter School is to establish procedures to be followed when certain specific incidents occur on school property, at any school sponsored activity or on any public conveyance providing transportation to or from a school or school sponsored activity, including but not limited to a school bus. This Memorandum serves the purpose of fostering a relationship of cooperation and mutual support between the parties hereto as they work together to maintain the physical security and safety of the School Entity.

Charter School Annual Report Affirmations

Charter Annual Report Affirmation

I verify that all information and records in this charter school annual report are complete and accurate.

The Chief Executive Officer and the Board of Trustee President of the charter school must sign this verification.

Affirmed by Anita Dinsmore on 7/28/2014

President, Board of Trustees

Affirmed by Eric Guldin on 7/28/2014

Chief Executive Officer

Charter School Law Affirmation

Pennsylvania's first Charter School Law was Act 22 of 1997, 24 P.S. § 17-1701-A et seq., which primarily became effective June 19, 1997, and has subsequently been amended.

The Charter School Law provides for the powers, requirements, and establishment of charter schools. The Charter School Law was passed to provide opportunities to teachers, parents, pupils and community members to establish and maintain schools that operate independently from the existing school district structure as a method to accomplish all of the following: (1) improve pupil learning; (2) increase learning opportunities for all pupils; (3) encourage the use of different and innovative teaching methods; (4) create new professional opportunities for teachers; (5) provide parents and pupils with expanded choices in types of educational opportunities that are available within the public school system; and (6) hold charter schools accountable for meeting measurable academic standards and provide the school with a method to establish accountability systems.

The charter school assures that it will comply with the requirements of the Charter School Law and any provision of law from which the charter school has not been exempted, including Federal laws and regulations governing children with disabilities. The charter school also assures that it will comply with the policies, regulations and procedures of the Pennsylvania Department of Education (Department). Additional information about charter schools is available on the Pennsylvania Department's website at: <http://www.education.state.pa.us>.

The Chief Executive Officer and Board of Trustees President of the charter school must sign this assurance.

Affirmed by Anita Dinsmore on 7/28/2014

President, Board of Trustees

Affirmed by Eric Guldin on 7/28/2014

Chief Executive Officer

Ethics Act Affirmation

Pennsylvania's current Public Official and Employee Ethics Act (Ethics Act), Act 93 of 1998, Chapter 11, 65 Pa.C.S. § 1101 et seq., became effective December 14, 1998 and has subsequently been amended.

The Ethics Act provides that public office is a public trust and that any effort to realize personal financial gain through public office other than compensation provided by law is a violation of that trust. The Ethics Act was passed to strengthen the faith and confidence of the people of Pennsylvania in their government. The Pennsylvania State Ethics Commission (Commission) administers and enforces the provisions of the Ethics Acts and provides guidance regarding its requirements.

The regulations of the Commission set forth the procedures applicable to all proceedings before the Commission as well as for the administration of the Statement of Financial Interests filing requirements. See 51 Pa. Code § 11.1 et seq.

The charter school assures that it will comply with the requirements of the Ethics Act and with the policies, regulations and procedures of the Commission. Additional information about the Ethics Act is available on the Commission's website at: <http://www.ethics.state.pa.us>.

The Chief Executive Officer and Board of Trustees President of the charter school must sign this assurance.

Affirmed by Anita Dinsmore on 7/28/2014

President, Board of Trustees

Affirmed by Eric Guldin on 7/28/2014

Chief Executive Officer

Complete the following information for all professional staff members; attach copies of education certificates.

Staff No.	Name of employee (List all names in alphabetical order)	Social Security #	Areas of Certification Type of certificate And Specific Area	Grades Teaching or Serving	All Areas of Assignment Subject Areas Teaching or Services Provided	Number of Hours Worked in Assignment	Percentage of Time in Certified Position	Percentage of Time in Areas Not Certified
1	Achtziger, Tara	██████	Elementary Education & Early Childhood	7-12	Supervision	40	100	0
2	Banks, Mariah	██████	Special Education N-12	7-12	Special Education Coordinator	40	100	0
3	Dalton, Timothy	██████	Social Studies	9-12	History & Geography	40	100	0
4	Fazekas, Jeanne	██████	Secondary School Counselor	7-12	School Counseling	40	100	0
5	Greene, Brenda	██████	School Nurse	1-12	School Nurse	20	100	0
6	Hahn, Kristen	██████	English	7 -12	English	40	100	0
7	Hayden, Sharon	██████	Elementary K-6 English Language Literature 7-12	7-12	English	40	100	0
8	Helble, Cheryle	██████	General Science, Env. Ed K-12 & Biology; Math 7 - 9	7-12	Science	40	100	0
9	Hoch, Christine	██████	Mathematics	7-12	Mathematics	40	100	0
10	Krznaric, Joyce	██████	Elementary, Early Childhood & English 7-9	6-9	English	40	100	0
11	Lash, Emily	██████	Mathematics 7-12	7-12	Mathematics	40	100	0
12	Lukon, Michael	██████	Mathematics 7-12	9-12	Mathematics	40	100	0

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13	Moyher, Melissa	7496516	English 7-12	7-12	Title I Remedial Language Arts	40	100	0
14	Myers, Nicole	8675496	Ment and/or Phys. Handicapped	1-12	Supervision	40	100	0
15	Nunez, Kristin	9031528	Ment and/or Phys. Handicapped	6-12	Special Education	40	100	0
16	Kerry Ozmelek	7248701	Biology	7-12	Science	40	100	0
17	Paskovitch, Carol	1372867	English 7-12 Spec. Ed N-12 Elementary & Science 7-9	9-12	Special Education	40	100	0
18	Patrick, Kenneth	9369429	Biology	9-12	Science	40	100	0
19	Pawlowski, Cindy	2894869	Mathematics	7-12	Math	40	100	0
20	Pfeifer, Michelle	5804354	Math 7-9, Science 7-9 & Elementary	6-9	Science	40	100	0
21	Pierce, Brooke	5763713	Supervisor Curriculum and Instruction Principal K-12 Elementary K-6	1-12	Supervision	40	100	0
22	Regina, Casey	5280978	Mathematics 7-12	7-12	Mathematics	40	100	0
23	Rhea, Michael	6520981	Mathematics 7-12	7-12	Mathematics	40	100	0
24	Saunders, Brian	1783918	Social Studies	7-12	Social Studies	40	100	0
25	Saunders, John	7253085	English	7-12	English	40	100	0
26	Schimizzi, Jen	8049582	Biology, emergency cert mathematics	7-12	Mathematics	40	100	0
27	Siko, Kathy	6875841	Health & Physical Education	6-12	Physical Education	40	100	0

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Staff No.	Name of employee (List all names in alphabetical order)	Social Security #	Areas of Certification Type of certificate And Specific Area	Grades Teaching or Serving	All Areas of Assignment Subject Areas Teaching or Services Provided	Number of Hours Worked in Assignment	Percentage of Time in Certified Position	Percentage of Time in Areas Not Certified
28	Sivak, Daniel	9862171	Elementary, Special Ed	1-6	Elementary	40	100	0
29	Sucke, Stephanie	9252342	Elementary Mid-Level English 7-9 English 7-12	7-12	English Communications	40	100	0
30	Stefaniak, April	8472918	Early Childhood N-3 Elementary K-6 Special Education N-12	7-12	Special Education Coordinator	40	100	0
31	Ungvarsky, Michael	1870718	Social Studies	7-12	Social Studies & Physical Education	40	86	14
32	White, Josie	2796592	Elementary & Reading Specialist	6-12	Title I Remedial Language Arts	40	100	0
33	Wilson, Karie	5729203	Social Studies & Bridge I English 7-12	7-12	History & English	40	100	0

Total Number of Administrators (do not include CEO) 3

Total Number of Teachers 27 Counselors 1 School Nurses 1 Others _____

Total Number of Professional Staff 32

Preliminary Statement of Revenues, Expenditures & Fund Balances
Include ALL Funds
as of June 30, 2014

Name of School Dr. Robert Ketterer Charter School, Inc

Address of School 1133 Village Way Latrobe, PA 15650

CEO Signature Eric Guldin

REVENUES

6000		REVENUE FROM LOCAL SOURCES	
6500		EARNINGS ON INVESTMENTS	
	6510	Interest on Investments and Interest-Bearing Checking Accounts	4
	6520	Dividends on Investments	34,746
	6530	Gains or Losses on Sale of Investments	21,149
	6540	Earnings on Investments in Real Property	
	6590	Other Earnings or Investments	
6600		FOOD SERVICE REVENUE	
	6610	Daily Sales - Reimbursable Programs	
	6620	Daily Sales - Non-Reimbursable Programs	
	6630	Special Functions	
	6640	Non-Cash Contributions	
	6650	Price Reduction for Reduced Price and Free Meals (Debit)	
	6690	Other Food Service Revenues	
6700		REVENUES FROM STUDENT ACTIVITIES	
	6710	Admissions	
	6720	Bookstore Sales	
	6730	Student Organization Membership Dues and Fees	
	6740	Fees	
	6750	Student Activity - Special Events	
	6790	Other Student Activity Income	
6800		REVENUES FROM INTERMEDIARY SOURCES / PASS THROUGH	
	6810	Revenue from Local Governmental Units	
	6820	Revenue from Intermediary Sources - Commonwealth Funds	
	6830	Revenues from Intermediary Sources - Federal Funds	116,937
	6890	Other Revenues from Intermediary Sources	
6900		OTHER REVENUE FROM LOCAL SOURCES	
	6910	Rentals	
	6920	Contributions & Donations from Private Sources / Capital Contributions	49,196
	6930	Gains or Losses on Sale of Fixed Assets (Economic Resource Measurement Focus Only)	
	6940	Tuition from Patrons	
	6941	Regular Day School Tuition	
	6942	Summer School Tuition	
	6943	Adult Education Tuition	
	6944	Receipts From Other LEAs in Pennsylvania - Education	2,998,236
	6945	Receipts from Out-of-State LEAs	
	6946	Receipts from Member Districts - AVTS / Special Program Jointure only	
	6947	Receipts from Members of Intermediate Units for Education by Withholding	

	6948	Receipts from Members of Intermediate Units for Direct Contributions	
	6949	Other Tuition from Patrons	
	6950	Unassigned	
	6960	Services Provide Other Local Governmental Units / LEAs	
	6961	Transportation Services Provided Other Pennsylvania LEAs	
	6969	All Other Services Provided Other Governments and LEAs Not Specified Above	
	6970	Services Provided Other Funds	
	6980	Revenue from Community Service Activities	
	6990	Refunds and Other Miscellaneous Revenue	9,153
	6991	Refunds of a Prior Year Expenditure	
	6999	Other Revenues Not Specified Above	
7000		REVENUE FROM STATE SOURCES	
7100		BASIC INSTRUCTIONAL AND OPERATING SUBSIDIES	
	7150	Unassigned	
	7160	Tuition for Orphans and Children Placed in Private Homes	
	7180	Staff and Program Development	
7200		REVENUE FOR SPECIFIC EDUCATIONAL PROGRAMS	
	7210	Homebound Instruction	
	7220	Vocational Education	
	7230	Alternative Education	
	7240	Driver Education - Student	
	7250	Migratory Children	
	7260	Workforce Investment Act (WIA)	
	7270	Specialized Education of Exceptional Pupils	
	7280	Adult Literacy	
	7290	Additional Educational Program Revenues	
7300		REVENUES FOR NON-EDUCATIONAL PROGRAMS	
	7310	Transportation (Regular and Additional)	
	7320	Rental and Sinking Fund Payments / Building Reimbursement Subsidy	39,574
	7330	Health Services (Medical, Dental, Nurse, Act 25)	7,047
	7340	Unassigned	
	7350	Sewage Treatment Operations / Environmental Subsidies	
	7360	Safe Schools	
7400		VOCATIONAL TRAINING OF THE UNEMPLOYED	
7500		STATE REVENUE NOT LISTED ELSEWHERE IN THE 7000 SERIES OF ACCOUNTS	15,510
	7502	Dual Enrollment Grants	
	7503	Project 720/High School Reform	
	7599	Other State Revenue Not Listed Elsewhere in the 7000 Series	
7600		REVENUE FOR MILK, LUNCH AND BREAKFAST PROGRAMS	3,634
7800		REVENUE FOR THE COMMONWEALTH'S SHARE OF PAID BENEFITS	105,509
	7810	State Share of Social Security and Medicare Taxes	
	7820	State Share of Retirement Contributions	
7900		REVENUE FOR TECHNOLOGY	
	7910	Educational Technology	
	7990	Other Technology Grants	
8000		REVENUE FROM FEDERAL SOURCES	

8100		UNRESTRICTED GRANTS-IN-AID DIRECT FROM THE FEDERAL GOVERNMENT	341,868
	8110	Payments for Federally Impacted Areas - P.L. 81-874	
	8190	Other Unrestricted Federal Grants-in-Aid Direct from the Federal Government	
8200		UNRESTRICTED GRANTS-IN-AID FROM THE FEDERAL GOVERNMENT THROUGH THE COMMONWEALTH	
8300		RESTRICTED GRANTS-IN-AID DIRECTLY FROM THE FEDERAL GOVERNMENT	
	8310	Payments for Federally Impacted Areas - P.L. 81-815	
	8320	Energy Conservation Grants - TA and ECM	
	8390	Other Restricted Federal Grants-in-Aid Directly from the Federal Government	
8500		RESTRICTED GRANTS-IN-AID FROM THE FEDERAL GOVERNMENT THROUGH THE COMMONWEALTH FOR THE INDIVIDUALS WITH DISABILITIES EDUCATION ACT (IDEA), NO CHILD LEFT BEHIND (NCLB), VOCATIONAL EDUCATION, CHILD NUTRITION AND CAREER EDUCATION PROGRAMS	
	8510	Individuals with Disabilities Education Act (IDEA) and No Child Left Behind (NCLB)	
	8520	Vocational Education	
	8530	Child Nutrition Program	70,292
	8540	Nutrition Education and Training	
	8560	Federal Block Grants	
	8570	Unassigned	
	8580	Child Care and Development Block Grants	
	8590	Unassigned	
8600		RESTRICTED GRANTS-IN-AID FROM THE FEDERAL GOVERNMENT THROUGH THE COMMONWEALTH FOR DRIVER EDUCATION, ADULT EDUCATION, CETA, HEADSTART, ENERGY CONSERVATION, WORKFORCE INVESTMENT ACT AND OTHER PROGRAMS	
	8610	Homeless Assistance Act	
	8620	Adult Basic Education	
	8640	Headstart	
	8650	Unassigned	
	8660	Workforce Investment Act (WIA)	
	8670	Unassigned	
	8680	Unassigned	
	8690	Other Restricted Federal Grants-in-Aid through the Commonwealth	
8800		MEDICAL ASSISTANCE REIMBURSEMENTS	
9000		OTHER FINANCING SOURCES	
9100		SALE OF BONDS	
	9110	Bond Issue Proceeds (Gross)	
	9120	Proceeds from Refunding of Bonds	
9200		PROCEEDS FROM EXTENDED TERM FINANCING	
9300		INTERFUND TRANSFERS	
	9310	General Fund Transfers	
	9320	Special Revenue Fund Transfers	
	9330	Capital Projects Funds Transfers	
	9340	Debt Service Fund Transfers	

	9350	Enterprise Fund Transfers	
	9360	Internal Service Fund Transfers	
	9370	Trust and Agency Fund	
	9380	Activity Fund Transfers	
	9390	Permanent Fund Transfers	
9400		SALE OF OR COMPENSATION FOR LOSS OF FIXED ASSETS	
9500		Unassigned	
9600		Unassigned	
9700		TRANSFERS INVOLVING COMPONENT UNITS AND PRIMARY GOVERNMENTS	
	9710	Transfers from Component Units	
	9720	Transfers from Primary Governments	
9800		INTRAFUND TRANSFERS IN	
	9810	General Fund Intrafund Transfers	
	9820	Special Revenue Intrafund Transfers	
	9840	Debt Service Intrafund Transfers	
	9850	Enterprise Intrafund Transfers	
	9860	Internal Service Intrafund Transfers	
	9870	Trust and Agency Intrafund Transfers	
	9880	Activity Interfund Transfers	
TOTAL REVENUES			3,812,856

Preliminary Statement of Revenues, Expenditures & Fund Balances
Include ALL Funds
as of June 30, 2014

Name of School Dr. Robert Ketterer Charter School, Inc

Address of School 1133 Village Way Latrobe, PA 15650

CEO Signature Eric Guldin

Note-Expenditures may be submitted EITHER as accrual or cash basis

EXPENDITURES

1000	INSTRUCTION	
1100	REGULAR PROGRAMS - ELEMENTARY / SECONDARY	2,137,882
1200	SPECIAL PROGRAMS - ELEMENTARY / SECONDARY	125,603
1300	VOCATIONAL EDUCATION	90,484
1400	OTHER INSTRUCTIONAL PROGRAMS - ELEMENTARY / SECONDARY	250
1600	ADULT EDUCATION PROGRAMS	
1700	HIGHER EDUCATION PROGRAMS	
1800	PRE-KINDERGARTEN	
2000	SUPPORT SERVICES	
2100	SUPPORT SERVICES - PUPIL PERSONNEL	
	2110 Supervision of Pupil Personnel Services	4,344
	2120 Guidance Services	
	2130 Attendance Services	
	2140 Psychological Services	
	2150 Speech Pathology and Audiology Services	
	2160 Social Work Services	
	2170 Student Accounting Services	
	2190 Other Pupil Personnel Services	
2200	SUPPORT SERVICES - INSTRUCTIONAL STAFF	
	2210 Supervision of Educational Media Services	
	2220 Technology Support Services	
	2230 Educational Television Services	
	2240 Computer-Assisted Instruction Support Services	29,191
	2250 School Library Services	1,001
	2260 Instruction and Curriculum Development Services	
	2270 Instructional Staff Professional Development Services	6,940
	2280 Nonpublic Support Services	
2300	SUPPORT SERVICES - ADMINISTRATION	
	2310 Board Services	
	2320 Board Treasurer Services	
	2340 Staff Relations and Negotiations Services	
	2350 Legal Services	25,000
	2360 Office of the Superintendent (Executive Director) Services	81,062
	2370 Community Relations Services	

	2380	Office of the Principal Services	8,609
	2390	Other Administration Services	241,293
2400		SUPPORT SERVICES - PUPIL HEALTH	41,184
2500		SUPPORT SERVICES - BUSINESS	471,035
	2510	Fiscal Services	
	2520	Purchasing Services	
	2530	Warehousing and Distributing Services	
	2540	Printing, Publishing and Duplicating Services	
	2590	Other Support Services - Business	
2600		OPERATION AND MAINTENANCE OF PLANT SERVICES	290,059
	2610	Supervision of Operation and Maintenance of Plant Services	
	2620	Operation of Buildings Services	
	2630	Care and Upkeep of Grounds Services	
	2640	Care and Upkeep of Equipment Services	
	2650	Vehicle Operations and Maintenance Services (Other than Student Transportation Vehicles)	
	2660	Security Services	
	2690	Other Operation and Maintenance of Plant Services	
2700		STUDENT TRANSPORTATION SERVICES	
	2710	Supervision of Student Transportation Services	
	2720	Vehicle Operation Services	
	2730	Monitoring Services	
	2740	Vehicle Servicing and Maintenance Services	
	2750	Nonpublic Transportation	
	2790	Other Student Transportation Services	
2800		SUPPORT SERVICES - CENTRAL	
	2810	Planning, Research, Development and Evaluation Services	2,163
	2820	Information Services	
	2830	Staff Services	
	2840	Data Processing Services	14,694
	2850	State and Federal Agency Liaison Services	
	2860	Management Services	
	2890	Other Support Services Central	
2900		OTHER SUPPORT SERVICES - CENTRAL	216
	2990	Pass-Thru Funds	190,597
3000		OPERATION OF NON-INSTRUCTIONAL SERVICES	
3100		FOOD SERVICES	
3200		STUDENT ACTIVITIES	
	3210	School Sponsored Student Activities	
	3250	School Sponsored Athletics	
3300		COMMUNITY SERVICES	
	3310	Community Recreation	
	3320	Civic Services	
	3330	Public Library Services	
	3340	Custody and Child Care	
	3350	Welfare Activities	
	3390	Other Community Services	
3400		SCHOLARSHIPS AND AWARDS	

4000		FACILITIES ACQUISITION, CONSTRUCTION AND IMPROVEMENT SERVICES	
4100		SITE ACQUISITION SERVICES - ORIGINAL AND ADDITIONAL	
4200		EXISTING SITE IMPROVEMENT SERVICES	
4300		ARCHITECTURE AND ENGINEERING SERVICES / EDUCATIONAL SPECIFICATIONS DEVELOPMENT - ORIGINAL AND ADDITIONAL	
4400		ARCHITECTURE AND ENGINEERING SERVICES / EDUCATIONAL SPECIFICATIONS - IMPROVEMENTS	
4500		BUILDING ACQUISITION AND CONSTRUCTION SERVICES - ORIGINAL AND ADDITIONAL	
4600		EXISTING BUILDING IMPROVEMENT SERVICES	
5000		OTHER EXPENDITURES AND FINANCING USES	
5100		DEBT SERVICE / OTHER EXPENDITURES AND FINANCING USES	
5200		FUND TRANSFERS	
5300		TRANSFERS INVOLVING COMPONENT UNITS	
5400		INTRAFUND TRANSFERS OUT	
5800		SUSPENSE ACCOUNT	
5900		BUDGETARY RESERVE	
TOTAL EXPENDITURES			3,761,607

**TOTAL REVENUES MINUS TOTAL EXPENDITURES = CURRENT FUND
BALANCE AS OF JUNE 30, 2014**

The Dr. Robert Ketterer Charter School has not yet received a Federal Programs Consolidated Review Report from PDE's Division of Federal Programs.



November 27, 2012

Mr. Eric Guldin
CEO
Dr. Robert Ketterer CS
1133 Village Way
Latrobe, Pa 15650-1764

Dear Mr. Guldin:

I have been informed that the areas of noncompliance cited as a result of the special education compliance monitoring visit conducted on December 5, 2011 have been corrected as of November 13, 2012 by the charter school. It is with pleasure that I commend you and your staff for efforts made in achieving resolution of the noncompliance areas.

Please note, if you have improvement plans that were developed as a component of the corrective action plan, they will remain open and you are required to implement the improvement plans until the specific action for those items has been completed as approved by your adviser.

As you know, compliance monitoring is required by Federal regulations to determine a local education agency's compliance with Federal and State requirements for students identified as eligible for special education. Your response to the monitoring visit and subsequent corrective action assures the continuation of improved special education services to Pennsylvania students.

The Department of Education appreciates your cooperation and the Bureau of Special Education remains available to you should you desire further assistance in the future.

Sincerely,

John J. Tommasini
Director

DR. ROBERT KETTERER
CHARTER SCHOOL, INC.

LATROBE, PENNSYLVANIA

AUDIT REPORT

Year Ended June 30, 2013

DR. ROBERT KETTERER CHARTER SCHOOL, INC.
LATROBE, PENNSYLVANIA

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HORNER, WIBLE & TEREK, PC

CERTIFIED PUBLIC ACCOUNTANTS

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David E. Horner, CPA
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Matthew D. Horner, CPA

C. Edward Wible, CPA (of Counsel)

Independent Auditors' Report

To the Board of Trustees
Dr. Robert Ketterer Charter School, Inc.
354 Main Street
Latrobe, Pennsylvania 15650

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Dr. Robert Ketterer Charter School, Inc., as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School'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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

Board of Trustees
Dr. Robert Ketterer Charter School, Inc.
December 18, 2013

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, and each major fund of the Dr. Robert Ketterer Charter School, Inc.'s, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof 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 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 Dr. Robert Ketterer Charter School, Inc.'s basic financial statements. The schedule of revenue and expenditures is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The schedule of revenue and expenditures 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.

Board of Trustees
Dr. Robert Ketterer Charter School, Inc.
December 18, 2013

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2013, on our consideration of the Dr. Robert Ketterer Charter School, Inc.'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 Dr. Robert Ketterer Charter School, Inc.'s internal control over financial reporting and compliance.

Horner, Wible & Terek, PC

Horner, Wible & Terek, PC
December 18, 2013

DR. ROBERT KETTERER CHARTER SCHOOL, INC.
Management's Discussion and Analysis (UNAUDITED)
Year Ended June 30, 2013

As management of the Dr. Robert Ketterer Charter School, Inc. (the School), we offer readers of the Dr. Robert Ketterer Charter School, Inc.'s financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2013.

Financial Highlights

- The assets of the Dr. Robert Ketterer Charter School, Inc. exceeded its liabilities at the close of the most recent fiscal year by \$5,067,909 (*net position*). Of this amount, \$2,112,660 (*unrestricted undesignated net position*) may be used to meet the School's ongoing obligations to students, community and creditors and \$665,329 (*unrestricted designated net position*) are board designated.
- The School's total net position decreased by \$80,963 or 2%, during the current fiscal year.
- As of the close of the current fiscal year, the Dr. Robert Ketterer Charter School, Inc.'s general fund reported combined ending fund balances of \$4,077,989, an increase of \$85,132 in comparison with the prior year. Of this total amount, \$2,112,660 is *available for spending* at the School's discretion (*unassigned fund balance*), \$665,329 is board designated (*committed fund balance*) and \$1,300,000 is reported as a prepaid lease commitment on the new school building construction (*nonspendable fund balance*). The unassigned fund balance of \$2,112,660 represented 59% of total general fund expenditures.

Operational Highlights

The Dr. Robert Ketterer Charter School, Inc. is a Charter School located within the boundaries of the Greater Latrobe School District. The School provides educational services for disruptive students in grades 1 through 12. Enrollment in the School includes: youth from Greater Latrobe and surrounding school districts who are having academic and behavioral issues and whose parents referred them to the School as an education alternative, and youth who have been adjudicated through the court system and placed in day treatment or residential programs at Adelphoi Village, a private provider for troubled youth. For these students, the average length of stay at Adelphoi Village is between six and nine months. As a result, most of these students are only enrolled at the School for a portion of the school year. Average daily enrollment is approximately 250 students and the charter school supplies educational services to more than 500 students annually.

Vision Statement

The Dr. Robert Ketterer Charter School, Inc. will be a professional learning community focused on improving all aspects of student progress. We will provide an optimum structured learning environment for our students by delivering individualized holistic treatment interventions, a standards aligned curriculum, effective differentiated instruction, and a comprehensive curriculum. This curriculum will include both teacher-delivered and "cyber" courses. Emphasis

will be placed on frequently measuring student performance and using assessment data to monitor and adapt treatment and instruction in order to maximize student progress. Multidisciplinary teams, which will include parents, schools, outside service providers, county officials, and other relevant stakeholders will regularly collaborate to monitor student progress. Supervisors and administrators will implement collaborative leadership processes which demonstrate that all employees are valued. This leadership style will emphasize strong professional development programs, shared decision making, group goal-setting, and accountability through outcome-based evaluation.

Beliefs:

1. Each student is a valued individual with unique physical, social, emotional, and intellectual needs.
2. A safe and supporting learning environment promotes student achievement.
3. The development of the curriculum, design of instructional activities, and the use of assessment measures are focused on providing learning opportunities and feedback systems that enable students to achieve success.
4. Students need to not only develop a deep understanding of essential knowledge and skills, but also need to develop the capacity to apply their learning and to reason, solve problems, and produce quality work.
5. The commitment to continuous improvement is expected of all stakeholders of the school system to achieve the goal of enabling all students to realize their potential in a rapidly changing diverse, global society.

Mission Statement:

To assist children, youth, and families to overcome social, emotional, and behavioral difficulties by creating a nurturing environment where students recognize and value the life and school connection.

The School's strengths include maintaining on average a 15:1 student to teacher ratio. In addition, the faculty utilizes treatment tools to modify disruptive behaviors. These tools include social material reinforcers, Choice Theory/Reality Therapy, contingency contracting and positive role modeling. The curriculum incorporates the PA state standards and eligible content: alternative formats of assessment and technology integration. In all, these lead to positive academic and behavioral changes in the school environment. The School is dedicated to serving disruptive students by providing a strong academic and counseling program.

Overview of the Financial Statements

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

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Dr. Robert Ketterer Charter School, Inc.'s finances, in a manner similar to a private-sector business.

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

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

Both of the government-wide financial statements distinguish functions of the Dr. Robert Ketterer Charter School, Inc. that are principally supported by intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and chargers (*business-type activities*). The governmental activities of the School include instruction, instructional student support services, administrative and financial support services, and operation and maintenance of plant services. The business-type activity of the School is the food service operations.

The government-wide financial statements can be found on pages 13 and 14 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Dr. Robert Ketterer Charter School, Inc., like other Pennsylvania school districts and state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the Dr. Robert Ketterer Charter School, Inc. are divided into two categories: governmental funds and proprietary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund

statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Dr. Robert Ketterer Charter School, Inc. maintains one individual governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund. Because the School has no governmental funds that are considered to be nonmajor, individual nonmajor fund data is not provided in the form of *combining statements* elsewhere in this report.

The basic governmental fund financial statements can be found on pages 15 through 19 of this report.

Proprietary funds. The Dr. Robert Ketterer Charter School, Inc. maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Dr. Robert Ketterer Charter School, Inc. uses an enterprise fund to account for its food service operations. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the governmental entity's various functions. The Dr. Robert Ketterer Charter School, Inc. does not maintain internal service funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the food service operations, which is considered to be a major fund of the Dr. Robert Ketterer Charter School, Inc.

The basic proprietary fund financial statements can be found on pages 20 through 22 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 23 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the School's financial position. In the case of the Dr. Robert Ketterer Charter School, Inc., assets exceeded liabilities by \$5,067,909 at the close of the most recent fiscal year.

A large portion of the Dr. Robert Ketterer Charter School, Inc.'s net position (20%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment). This amount would be reduced by any related outstanding debt used to acquire those assets if such debt existed. The School has not incurred long-term liabilities or debt, as the School funds its capital expenditures from operating cash. The School uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending.

Net Position

	<u>Government Activities</u>		<u>Business-Type Activities</u>		<u>Combined</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Assets						
Current and Other Assets	\$ 4,577,422	\$ 4,426,445	\$ 32,099	\$ 22,684	\$ 4,609,521	\$ 4,449,129
Capital Assets	<u>989,920</u>	<u>1,156,015</u>	<u>0</u>	<u>0</u>	<u>989,920</u>	<u>1,156,015</u>
Total Assets	<u>\$ 5,567,342</u>	<u>\$ 5,582,460</u>	<u>\$ 32,099</u>	<u>\$ 22,684</u>	<u>\$ 5,599,441</u>	<u>\$ 5,605,144</u>
Liabilities						
Current Liabilities	\$ 499,433	\$ 433,588	\$ 32,099	\$ 22,684	\$ 531,532	\$ 456,272
Other Liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities	<u>\$ 499,433</u>	<u>\$ 433,588</u>	<u>\$ 32,099</u>	<u>\$ 22,684</u>	<u>\$ 531,532</u>	<u>\$ 456,272</u>
Net Position:						
Investment in Capital Assets	\$ 989,920	\$ 1,156,015	\$ 0	\$ 0	\$ 989,920	\$ 1,156,015
Restricted	1,300,000	0	0	0	1,300,000	0
Unrestricted Designated	665,329	1,603,583	0	0	665,329	1,603,583
Unrestricted Undesignated	<u>2,112,660</u>	<u>2,389,274</u>	<u>0</u>	<u>0</u>	<u>2,112,660</u>	<u>2,389,274</u>
Total Net Position	<u>\$ 5,067,909</u>	<u>\$ 5,148,872</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5,067,909</u>	<u>\$ 5,148,872</u>

The *unrestricted designated net position* of \$665,329 are designated for specific purposes by the Board of Trustees of Dr. Robert Ketterer Charter School, Inc. The *unrestricted undesignated net position* of \$2,112,660 may be used to meet the School's ongoing obligations to students, community, and creditors. The *restricted net position* of \$1,300,000 represent resources that are subject to external restrictions on how those resources may be spent.

At the end of the current fiscal year, the Dr. Robert Ketterer Charter School, Inc. is able to report positive balances in all applicable categories of net position. The same situation held true for the prior fiscal year.

Net position decreased by \$80,963 during the current fiscal year. This decrease is primarily due to the current year write-off of project costs incurred in prior years totaling \$119,690.

Governmental activities. Governmental activities decreased the Dr. Robert Ketterer Charter School, Inc.'s net position by \$80,963, thereby accounting for 100% of the total decrease in the net position of the Dr. Robert Ketterer Charter School, Inc. Key elements of this decrease are as follows:

Changes in Net Position

	Government Activities		Business-Type Activities		Combined	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues:						
Program Revenues:						
Charges for services	\$ 3,017,987	\$ 3,101,823	\$ 0	\$ 0	\$ 3,017,987	\$ 3,101,823
Operating grants and contributions	649,804	976,426	0	0	649,804	976,426
Capital grants and contributions	0	0	0	0	0	0
General Revenues:						
Contributions Not Restricted	0	0	0	0	0	0
Grants etc.-unrestricted	0	0	0	0	0	0
Investment earnings	9,544	182,761	0	0	9,544	182,761
State Sources – Food Service	0	0	5,812	6,882	5,812	6,882
Federal Sources – Food Service	<u>0</u>	<u>0</u>	<u>115,332</u>	<u>114,759</u>	<u>115,332</u>	<u>114,759</u>
Total Revenues	<u>3,677,335</u>	<u>4,261,010</u>	<u>121,144</u>	<u>121,641</u>	<u>3,798,976</u>	<u>4,382,651</u>
Expenses:						
Instruction	1,960,452	2,253,376	0	0	1,960,452	2,253,376
Instructional Student Support Services	139,952	209,769	0	0	139,952	209,769
General Government – Admin & Financial Support Services	1,195,230	962,153	0	0	1,195,230	962,153
Operation/Maintenance of Plant Services	327,487	257,425	0	0	327,487	257,425
Depreciation-unallocated	135,177	113,113	0	0	135,177	113,113
Food service operations	<u>0</u>	<u>0</u>	<u>121,144</u>	<u>121,641</u>	<u>121,144</u>	<u>121,641</u>
Total Expenses	<u>3,758,298</u>	<u>3,795,836</u>	<u>121,144</u>	<u>121,641</u>	<u>3,879,442</u>	<u>3,917,477</u>
Change in Net Position (Decrease)	(80,963)	465,174	0	0	(80,963)	465,174
Net Position – July 1	<u>5,148,872</u>	<u>4,683,698</u>	<u>0</u>	<u>0</u>	<u>5,148,872</u>	<u>4,683,698</u>
Net Position – June 30	<u>\$ 5,067,909</u>	<u>\$ 5,148,872</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5,067,909</u>	<u>\$ 5,148,872</u>

Total expenses decreased \$37,538 or 1% compared to the prior year total expenditures of \$3,795,836. Expenses in the current fiscal year totaling \$3,758,298 consist primarily of regular and special instruction costs and administrative support costs. The most significant portion of total expenses consists of teacher salaries and benefits of \$2,158,024, or 57%. Salaries and benefits increased by \$54,362 or 3% compared to the prior year salaries and benefits of \$2,103,662. The support service costs are comprised of administrative, business services such as accounting, purchasing, human resources along with information management and plant operations and maintenance.

Business-type Activities. Business-type activities had no effect on the Dr. Robert Ketterer Charter School, Inc.’s net position. Business-type activities operate on a direct reimbursement basis.

Financial Analysis of the Government's Funds

As noted earlier, the Dr. Robert Ketterer Charter School, Inc. uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, the Dr. Robert Ketterer Charter School, Inc.'s governmental funds reported combined ending fund balances of \$4,077,989, an increase of \$85,132 in comparison with the prior year. A portion of the fund balance, \$1,300,000 constitutes *nonspendable fund balance*, which is a prepaid lease commitment on the new school building, as described in Note 12. Another portion of fund balances, \$2,112,660 constitutes *unassigned fund balance*, which is available for spending at the School's discretion. The remainder of \$665,329 is *committed* fund balance to indicate that the Board of Trustees had designated this amount as follows:

• Technology	\$	283,536
• Curriculum and Instruction	\$	190,897
• Staff Development	\$	190,896

The School has two funds, the general fund and the food service fund. The general fund is the chief operating fund of the School. At the end of the current fiscal year, the fund balance of the general fund totaled \$4,077,989 and the balance in the food service fund totaled zero. As a measure of the general fund's liquidity, it may be useful to compare the *unassigned fund balance* and total fund balance to total fund expenditures. Unassigned general fund balance represents 59% of total general fund expenditures.

Proprietary funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Net position in the food service fund was zero at the end of the current fiscal year.

General Fund Budgetary Highlights

The Dr. Robert Ketterer Charter School, Inc. does not currently amend the approved budget. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

Capital Asset Administration

Capital assets. The Dr. Robert Ketterer Charter School, Inc.'s investment in capital assets for its governmental type activities as of June 30, 2013, amounts to \$989,920 (net of accumulated depreciation). This investment in capital assets includes land and site improvements, buildings

and building improvements, furniture and equipment and construction in progress. The total decrease in the Dr. Robert Ketterer Charter School, Inc.’s investment in capital assets for the current fiscal year was \$166,095 or 14%.

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

- Disposals of old equipment totaling \$513,357.
- Construction in progress additions of \$60,948, as offset by completed and capitalized projects totaling \$9,153 and write-offs totaling \$119,690.

Capital Assets
(Net of Depreciation)

	Governmental	
	Activities	
	2013	2012
Land	\$ 76,800	\$ 76,800
Site Improvements (Net)	16,780	19,154
Buildings and Building Improvements (Net)	605,234	648,125
Furniture, Fixtures and Equipment (Net)	230,158	301,398
Construction in progress	60,948	110,538
Total	\$ 989,920	\$ 1,156,015

Additional information on the Dr. Robert Ketterer Charter School, Inc.’s capital assets can be found in note 8 on page 32 of this report.

Economic Factors

- The local economy encompassing the Dr. Robert Ketterer Charter School, Inc. and the Greater Latrobe School District is for the most part stable.
- The School’s dedication to serving disruptive students by providing a strong academic and counseling program provides an avenue to the continued financial success of the School.

Requests for Information

This financial report is designed to provide a general overview of the Dr. Robert Ketterer Charter School, Inc.’s finances for all those with an interest in the School’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Office of the Dr. Robert Ketterer Charter School, Inc., 354 Main Street, Latrobe, Pennsylvania 15650.

DR. ROBERT KETTERER CHARTER SCHOOL, INC.
STATEMENT OF NET POSITION
June 30, 2013

	<u>Governmental</u> <u>Activities</u>	<u>Business-</u> <u>Type Activities</u>	<u>Total</u>
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 1,409,373	\$ 0	\$ 1,409,373
Investments	1,306,125	0	1,306,125
Due From Other Governments, Less			
Allowance for Doubtful Accounts of \$37,500	546,406	32,099	578,505
Other Receivables	2,428	0	2,428
Prepaid Rent and Other Expenses	<u>1,313,090</u>	<u>0</u>	<u>1,313,090</u>
TOTAL CURRENT ASSETS	<u><u>4,577,422</u></u>	<u><u>32,099</u></u>	<u><u>4,609,521</u></u>
NONCURRENT ASSETS			
Capital Assets			
Land	76,800	0	76,800
Site Improvements (Net of Accum Deprec)	16,780	0	16,780
Building and Building Improvements (Net of Acc Deprec)	605,234	0	605,234
Furniture & Equipment (Net of Acc Deprec)	230,158	0	230,158
Projects in Progress	<u>60,948</u>	<u>0</u>	<u>60,948</u>
TOTAL NONCURRENT ASSETS	<u><u>989,920</u></u>	<u><u>0</u></u>	<u><u>989,920</u></u>
TOTAL ASSETS	<u><u>\$ 5,567,342</u></u>	<u><u>\$ 32,099</u></u>	<u><u>\$ 5,599,441</u></u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	\$ 99,394	\$ 0	\$ 99,394
Due to Affiliates	21,804	32,099	53,903
Other Contracts Payable	7,895	0	7,895
Accrued Salaries and Benefits	327,801	0	327,801
Deferred Revenues	<u>42,539</u>	<u>0</u>	<u>42,539</u>
TOTAL LIABILITIES	<u><u>499,433</u></u>	<u><u>32,099</u></u>	<u><u>531,532</u></u>
NET POSITION			
Net Investment in Capital Assets	989,920	0	989,920
Restricted - Prepaid Rent	1,300,000	0	1,300,000
Unrestricted - Designated	665,329	0	665,329
Unrestricted - Undesignated	<u>2,112,660</u>	<u>0</u>	<u>2,112,660</u>
TOTAL NET POSITION	<u><u>5,067,909</u></u>	<u><u>0</u></u>	<u><u>5,067,909</u></u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 5,567,342</u></u>	<u><u>\$ 32,099</u></u>	<u><u>\$ 5,599,441</u></u>

The Accompanying Notes are an Integral Part of These Financial Statements

DR. ROBERT KETTERER CHARTER SCHOOL, INC.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	TOTAL
<i>Governmental Activities:</i>							
Instruction	\$ 1,960,452	\$ 1,380,745	\$ 600,144	\$ 0	\$ 20,437		\$ 20,437
Instructional Student Support	139,952	132,028	9,878	0	1,954		1,954
Administrative & Financial Support Services	1,195,230	1,198,466	14,503	0	17,739		17,739
Operation & Maintenance of Plant Services	327,487	306,748	25,279	0	4,540		4,540
Depreciation - Unallocated	135,177	0	0	0	(135,177)		(135,177)
<i>Total Governmental Activities</i>	<u>3,758,298</u>	<u>3,017,987</u>	<u>649,804</u>	<u>0</u>	<u>(90,507)</u>		<u>(90,507)</u>
<i>Business-Type Activities:</i>							
Food Service	121,144	0	121,144	0		\$ 0	0
<i>Total Business-Type Activities</i>	<u>121,144</u>	<u>0</u>	<u>121,144</u>	<u>0</u>		<u>0</u>	<u>0</u>
Total	<u>\$ 3,879,442</u>	<u>\$ 3,017,987</u>	<u>\$ 770,948</u>	<u>\$ 0</u>	<u>(90,507)</u>	<u>0</u>	<u>(90,507)</u>
General Revenues:							
Grants & Contributions Not							
					0	0	0
					0	0	0
					9,544	0	9,544
					0	0	0
					<u>9,544</u>	<u>0</u>	<u>9,544</u>
					(80,963)	0	(80,963)
					5,148,872	0	5,148,872
					<u>\$ 5,067,909</u>	<u>\$ 0</u>	<u>\$ 5,067,909</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

DR. ROBERT KETTERER CHARTER SCHOOL, INC.
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

		General Fund
ASSETS		
Cash and Cash Equivalents	\$	1,409,373
Investments		1,306,125
Due from Other Governments:		
Intergovernmental Accounts Receivable	\$	54,603
State Subsidies Receivable		58,165
Federal Subsidies Receivable		1,087
Public School Tuition Receivable, net of Allowance for Doubtful Accounts of \$37,500		432,551
Due from Affiliates		0
Other Receivables		2,428
Prepaid Rent and Other Expenses		1,313,090
TOTAL ASSETS	\$	4,577,422
LIABILITIES		
Accounts Payable	\$	73,529
Other Contracts Payable		7,895
Accrued Salaries and Benefits		327,801
Deferred Revenues		42,539
Due to Affiliates		21,804
Other Liabilities		25,865
TOTAL LIABILITIES		499,433
FUND BALANCES		
Nonspendable - Prepaid Rent		1,300,000
Committed - Technology		283,536
Committed - Curriculum and Construction		190,897
Committed - Staff Development		190,896
Unassigned		2,112,660
TOTAL FUND BALANCES		4,077,989
TOTAL LIABILITIES AND FUND BALANCES	\$	4,577,422

The Accompanying Notes are an Integral Part of These Financial Statements

DR. ROBERT KETTERER CHARTER SCHOOL, INC.
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2013

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$	4,077,989
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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 the governmental funds.

Cost of Capital Assets	\$	1,613,781	
Accumulated Depreciation		<u>(623,861)</u>	<u>989,920</u>

TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u><u>5,067,909</u></u>
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The Accompanying Notes are an Integral Part of These Financial Statements.

DR. ROBERT KETTERER CHARTER SCHOOL, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2013

	General Fund	
REVENUES		
Local Sources		
Grant Revenue	\$ 12,731	
Dividends Earned	45,118	
Gains/Losses on Investments	(35,574)	
Intermediate Flow Through - Federal Funds	57,845	
Receipts from Public Schools	2,961,168	
Refunds and Other Miscellaneous Revenue	56,820	\$ 3,098,108
State Sources		
Rent	25,279	
Nursing	6,881	
DPW Health Administration	2,997	
Retirement	102,229	137,386
Federal Sources		
Title I Revenue	435,444	
Title II Revenue	6,398	441,842
TOTAL REVENUES		3,677,336
EXPENDITURES		
Instruction		
Regular Programs	1,725,627	
Special Programs	193,090	
Vocational Education Programs	41,735	1,960,452
Support Services		
Pupil Personnel Services	4,847	
Instructional Staff Services	92,709	
Administrative Services	417,164	
Pupil Health	42,396	
Business Services	489,144	
Operation and Maintenance of Plant Services	327,487	
Pass-Through Funds	178,383	1,552,130
Capital Outlay		79,622
TOTAL EXPENDITURES		3,592,204
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/NET CHANGE IN FUND BALANCES		85,132
FUND BALANCE - JULY 1, 2012		3,992,857
FUND BALANCE - JUNE 30, 2013		\$ 4,077,989

The Accompanying Notes are an Integral Part of These Financial Statements.

DR. ROBERT KETTERER CHARTER SCHOOL, INC.
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2013

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$	85,132
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the period.

Capital Outlays	\$	79,622	
Depreciation Expense		(135,177)	
 Elimination of accumulated costs related to potential construction project in current year.		<u>(110,540)</u>	<u>(166,095)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u><u>(80,963)</u></u>
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The Accompanying Notes are an Integral Part of These Financial Statements.

DR. ROBERT KETTERER CHARTER SCHOOL, INC.
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended June 30, 2013

	General Fund		VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	BUDGET ORIGINAL/ FINAL	ACTUAL (BUDGETARY BASIS)	
REVENUES AND OTHER FINANCING SOURCES			
REVENUES			
Local Sources	\$ 3,553,707	\$ 3,098,108	\$ (455,599)
State Sources	199,503	137,386	(62,117)
Federal Sources	414,558	441,842	27,284
TOTAL REVENUES AND OTHER FINANCING SOURCES	4,167,768	3,677,336	(490,432)
EXPENDITURES AND OTHER FINANCING USES			
Instruction			
Regular Programs	1,827,987	1,725,627	102,360
Special Programs	210,980	193,090	17,890
Vocational Education Programs	137,367	41,735	95,632
Additional Other Instructional Programs	476,446	0	476,446
Support Services			
Pupil Personnel Services	9,000	4,847	4,153
Instructional Staff Services	0	92,709	(92,709)
Administrative Services	288,258	417,164	(128,906)
Pupil Health	68,684	42,396	26,288
Business Services	464,988	489,144	(24,156)
Operation and Maintenance of Plant Services	104,981	327,487	(222,506)
Other Support Services	0	178,383	(178,383)
Capital Outlay	107,159	79,622	27,537
TOTAL EXPENDITURES AND OTHER FINANCING USES	3,695,850	3,592,204	103,646
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING/ NET CHANGE IN FUND BALANCES	471,918	85,132	(386,786)
FUND BALANCE - JULY 1, 2012	0	3,992,857	3,992,857
FUND BALANCE - JUNE 30, 2013	\$ 471,918	\$ 4,077,989	\$ 3,606,071

The Accompanying Notes are an Integral Part of These Financial Statements.

DR. ROBERT KETTERER CHARTER SCHOOL, INC.
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2013

	<u>FOOD SERVICE</u>
ASSETS	
CURRENT ASSETS	
Due From Other Governments	\$ <u>32,099</u>
TOTAL ASSETS	\$ <u><u>32,099</u></u>
LIABILITIES	
CURRENT LIABILITIES	
Due to Affiliates	\$ <u>32,099</u>
TOTAL LIABILITIES	32,099
TOTAL NET POSITION	<u>0</u>
TOTAL LIABILITIES AND NET POSITION	\$ <u><u>32,099</u></u>

The Accompanying Notes are an Integral Part of These Financial Statements.

DR. ROBERT KETTERER CHARTER SCHOOL, INC.
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
Fiscal Year Ended June 30, 2013

	<u>FOOD SERVICE</u>
OPERATING REVENUES	
Charges for Services	\$ <u>0</u>
OPERATING EXPENSES	
Supplies	5,510
Pass-Through Funds	<u>115,634</u>
	<u>121,144</u>
OPERATING INCOME (LOSS)	<u>(121,144)</u>
NONOPERATING REVENUES (EXPENSES)	
State Sources - Food Service	5,812
Federal Sources - Food Service	<u>115,332</u>
	<u>121,144</u>
CHANGE IN NET POSITION	0
TOTAL NET POSITION - BEGINNING	<u>0</u>
TOTAL NET POSITION - ENDING	<u><u>\$ 0</u></u>

The Accompanying Notes are an integral Part of These Financial Statements.

DR. ROBERT KETTERER CHARTER SCHOOL, INC.
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Fiscal Year Ended June 30, 2013

	<u>FOOD SERVICE</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received From Users	\$ 0
Cash Payments to Suppliers For Goods and Services	<u>(106,219)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(106,219)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Sources - Food Service	5,650
Federal Sources - Food Service	<u>100,569</u>
NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES	<u>106,219</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	0
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	<u>0</u>
CASH AND CASH EQUIVALENTS AT YEAR END	<u><u>\$ 0</u></u>
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	
Operating Income (Loss)	\$ (121,144)
Adjustments to Reconcile Operating Loss to Net Cash	
Provided by (Used In) Operating Activities	
Value of Donated Commodities	5,510
Increase (Decrease) in Accounts Payable	<u>9,415</u>
CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u><u>\$ (106,219)</u></u>

The Accompanying Notes are an Integral Part of These Financial Statements.

DR. ROBERT KETTERER CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE (1) REPORTING ENTITY

Dr. Robert Ketterer Charter School, Inc. provides disruptive secondary students with an education that creates opportunities for academic success and skills needed to become contributing members of the larger community. The Greater Latrobe School District chartered the School in 1998 under the Charter School Law, Article XVII-A of the Public School Code of 1949. The charter was renewed in 2001, in 2006 and again in 2011.

Dr. Robert Ketterer Charter School, Inc. was incorporated on February 24, 1998, under the provisions of the Pennsylvania Nonprofit Corporation Law of 1972 P.L. 1063, as amended by Act of 1988 P.L. 1444, and qualifies as an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Dr. Robert Ketterer Charter School, Inc. is a subsidiary of Adelphoi USA, Inc. These financial statements are limited to the transactions applicable to the Dr. Robert Ketterer Charter School, Inc.

The organization's financial statements are prepared in accordance with the accounting system and procedures prescribed for school districts by the Commonwealth of Pennsylvania, Department of Education, and conform to generally accepted accounting principals as applicable to governmental units. The most significant accounting policies and the practices followed by the School are presented below in order to assist the reader in evaluating the financial statements and the accompanying notes.

The primary funding sources of the School include tuition and federal and state grants.

Generally accepted accounting principles require government financial statements to include the primary government and its component units. Component units of a governmental entity are legally separate entities for which the primary government is considered to be financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion would cause the combined financial statements to be misleading or incomplete. The primary government is considered to be financially accountable if it appoints a majority of an organization's governing body and imposes its will on that organization. The primary government may also be financially accountable if an organization is fiscally dependent on the primary government, regardless of the authority of the organization's governing board.

The School has not identified any entities that should be subject to evaluation for inclusion for the School reporting entity.

NOTE (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The basic financial statements of the School are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to financial statements

1. Government-Wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the School. 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.

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 “Accounting and Financial Reporting for Nonexchange Transactions.”

Program revenues include charges for services, special assessments, and payments made by parties outside of the reporting government’s citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

Items not properly included among program revenues are reported as *general revenues*.

As a general rule the effect of the interfund activity has been eliminated from the government-wide financial statements. The School chooses to eliminate the indirect costs between governmental activities to avoid a “doubling up” effect.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than as expenditures. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as other financing sources. Amounts paid to reduce long-term indebtedness of the reporting government are reported as reductions of the related liability, rather than as expenditures.

NOTE (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES “CONTINUED”

2. Fund Financial Statements

The fund financial statements for the School’s governmental and proprietary funds are presented after the government-wide financial statements. These statements display information about the School’s major general and food service funds.

When both restricted and unrestricted resources are combined in a fund, expenses are considered paid first from restricted resources, and then from unrestricted resources.

Governmental Funds

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 collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues, to be available if collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Operating and capital grants and interest 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. All other revenue items are considered to be measurable only when cash is received by the School.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of “available spendable resources.” Governmental funds operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

Non-current portions of long-term receivables are offset by fund balance reserve accounts.

Because of the spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year the resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as another financing source rather than as a fund liability. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

NOTE (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES “CONTINUED”

Proprietary Funds

The School’s food service fund is a proprietary fund. Proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Proprietary fund financial statements are reported using the economic resources measurement focus, and presents increases (revenues) and decreases (expenses) in total net position. All assets and liabilities, whether current or noncurrent, associated with the fund activity are included on the balance sheet.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values.

Non-operating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Amounts paid to acquire capital assets are capitalized as assets in the proprietary fund financial statements, rather than an expense. Proceeds of long-term debt are recorded as a liability in the proprietary fund financial statements, rather than an operating financing source. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liabilities, rather than an expense.

B. BASIS OF PRESENTATION

The determination of major funds is based on minimum criteria as set forth in GASB Statement No. 34. The non-major funds, if applicable, would be combined in a column in the fund financial statements. The following are the School’s major funds:

1. Governmental Fund Types

General Fund is the general operating fund of the School. It is utilized to account for all revenues and expenditures except those required to be accounted for in another fund.

NOTE (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES “CONTINUED”

B. BASIS OF PRESENTATION ”CONTINUED”

2. Proprietary Fund Types

Enterprise Fund – The Food Service Fund is authorized under Section 504 of the Public School Code of 1949 to account for all revenues and expenses pertaining to cafeteria operations. The Food Service Fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises where the stated intent is that the cost (i.e., expenses, including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

C. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include amounts in demand deposits and liquid asset funds, and are stated at cost. Cash equivalents include short-term investments with an original maturity of three months or less.

D. INVESTMENTS

Investments are carried at fair market value. Capital gains and losses are realized on the basis of sale price minus original cost. Unrealized gains and losses are included in the change in fund balance in the accompanying statement of revenues, expenses and other changes in fund balance.

E. INVENTORIES

General Fund inventory is considered insignificant and is not recorded. The cost is recorded as an expenditure at the time individual inventory items are purchased.

F. CAPITAL ASSETS

Capital assets, including property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of \$3,000 and an estimated useful life exceeding one year. However, equipment and major additions and betterments purchased with grant funds are reflected in the financial statements as current expenditures. Grant-acquired assets with an initial individual cost of \$5,000 and an estimated useful life exceeding one year are capitalized. Capital assets are recorded at historical costs. Donated capital assets are recorded at the estimated fair market value at the time 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.

NOTE (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES “CONTINUED”

Interest incurred during the construction phase of capital assets is not capitalized in the governmental fund of the School.

The capital assets of the School District are depreciated using the straight-line method over the following useful lives:

Site Improvements	15 years
Buildings and Improvements	25 years
Machinery and Equipment	5 years
Computer Equipment	5 years

G. DEFERRED REVENUES

Deferred revenues offset receivables which will be collected and included in revenues of future fiscal years. Deferred revenues in the amount of \$42,539 represent program funds that were received but not earned in the current school year.

H. COMPENSATED ABSENCES

A liability is recorded for accumulated sick and supplemental retirement pay that is expected to be used as a benefit by employees upon retirement. The accrual of accumulated sick and supplemental retirement pay is based on \$100 per day, plus related estimated employer payroll expenditures.

Liabilities arising from the accrual of compensated absences are recorded as a liability of the governmental fund when the obligation will be liquidated by the use of expendable available financial resources of the fund.

All accumulated sick pay was paid on or before June 30, 2013; therefore there is no current liability for accumulated sick pay at June 30, 2013.

I. NET POSITION

The government-wide financial statements utilize a net position presentation. Net position is categorized as follows:

- Net Investment in Capital Assets – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This category represents net position of the School, not restricted for any project or other purpose.

NOTE (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES “CONTINUED”

J. FUND BALANCES

The following classifications of fund balance describe the relative strength of the spending constraints placed on the purposes for which resources can be used.

- Nonspendable fund balance – Amounts that are not in spendable form (such as inventory and prepaid amounts) or are required to be maintained intact;
- Restricted fund balance – Amounts that can be used only for the specific purposes stipulated by external resource providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers;
- Committed fund balance – Amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally (for example: resolution and ordinance). The Board has committed fund balances for the following purposes: Technology, Curriculum and Instruction, and Staff Development;
- Assigned fund balance – Amounts a government intends to use for a specific purpose. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund;
- Unassigned fund balance - Amounts that are available for any purpose. Positive amounts are reported only in the general fund. If another governmental fund has a fund balance deficit, it is reported as a negative amount in the unassigned classification in that fund.

The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the Board of Trustees through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

NOTE (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES “CONTINUED”

J. FUND BALANCES “CONTINUED”

Committed fund balance consists of the following:

Technology	\$	283,536
Curriculum and Instruction		190,897
Staff Development		190,896
Total	\$	<u>665,329</u>

K. BUDGETS AND BUDGETARY ACCOUNTING

In compliance with the Public School Code of Pennsylvania, as amended, the School Board of Trustees adopts the following year budget by June 30th of the current year. The annual budget is prepared on the modified accrual basis for the General Fund, and is based on anticipated revenues and planned expenditures for the following fiscal year. The School Board of Trustees may authorize budget transfer amendments during the year. The budget data reflected in the combined financial statements includes the effect of such approved budget transfer amendments; however, it does not include additional federal- and state-funded programs added during the year.

Appropriations lapse at the end of the fiscal year. In order to preserve a portion of an appropriation, the School records outstanding encumbrances and reserves a portion of fund balance in a like amount.

L. INCOME TAXES

The Organization is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. Accordingly, no provision for income taxes has been provided in these financial statements. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1). Unrelated business income, if any, may be subject to income tax. The Organization paid no taxes on unrelated business income in the year ended June 30, 2013.

Generally accepted accounting principles require the recognition, measurement, classification, and disclosure in the financial statements of uncertain tax positions taken or expected to be taken in the organization’s tax returns. Management has determined that the Organization does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Organization’s tax returns will not be challenged by the taxing authorities and that the Organization will not be subject to additional tax, penalties, and interest as a result of such challenge. The Organization files forms 990 in the U.S. federal jurisdiction. The tax returns generally remain open for federal income tax examination for three years from the date of filing.

NOTE (3) CASH AND CASH EQUIVALENTS

Deposits and temporary investments are reported as cash and cash equivalents, and are maintained in checking and sweep investment accounts.

The bank and book balances of cash and cash equivalents as of June 30, 2013 are as follows:

	<u>BANK BALANCE</u>	<u>BOOK BALANCE</u>
Cash	<u>\$ 1,417,935</u>	<u>\$ 1,409,373</u>

The book balance differs from the bank balance by \$8,562 due to routine transactions in transit.

The School maintains cash balances in excess of \$250,000 in bank accounts, which are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2013, the School's uninsured cash balances totaled \$1,167,935.

NOTE (4) INVESTMENTS

Investments held at June 30, 2013 are carried at fair market value and consist of the following:

	<u>COST BASIS</u>	<u>MARKET VALUE</u>
Vanguard Total Bond Market Index Fund Admiral Shares 122,410.960 Shares	<u>\$1,280,069</u>	<u>\$1,306,125</u>

NOTE (5) DUE FROM (TO) AFFILIATES

The following schedule summarizes amounts due from (to) affiliates related to business transactions as described in Note (12).

Due to Adelphoi Village, Inc.	\$ (64,438)
Due to Adelphoi Education, Inc.	(36,787)
Due from Adelphoi USA	<u>47,322</u>
	<u>\$ (53,903)</u>

NOTE (6) ALLOWANCE FOR DOUBTFUL ACCOUNTS

Management of the School has estimated an Allowance for Doubtful Accounts based on prior history. At June 30, 2013, \$37,500 is estimated uncollectable by management.

NOTE (7) INTERGOVERNMENTAL ACCOUNTS RECEIVABLE

Amounts due from other governments represent receivables for revenues earned by the School or collections made by another governmental unit on behalf of the School. At June 30, 2013, the following amounts are due from other governmental units:

<u>Due From</u>	<u>General Fund</u>
Local	\$ 54,603
State	59,729
Federal	31,622
Public Schools	470,051
Allowance for Doubtful Accounts	<u>(37,500)</u>
	<u>\$ 578,505</u>

NOTE (8) CAPITAL ASSETS

The following schedule summarizes the changes in Capital Assets during the fiscal year:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
<i>Governmental Activities:</i>				
Capital Assets Not Being Depreciated:				
Land	\$ 76,800	\$ 0	\$ 0	76,800
Construction in Progress	<u>110,538</u>	<u>60,948</u>	<u>(110,538)</u>	<u>60,948</u>
Total Capital Assets Not Being Depreciated	<u>187,338</u>	<u>60,948</u>	<u>(110,538)</u>	<u>137,748</u>
Capital Assets Being Depreciated:				
Site Improvements	29,087	0	0	29,087
Buildings and Improvements	1,001,056	8,650	0	1,009,705
Furniture, Fixtures, and Equipment	<u>940,576</u>	<u>10,024</u>	<u>(513,357)</u>	<u>437,242</u>
Total Capital Assets Being Depreciated	<u>1,970,719</u>	<u>18,674</u>	<u>(513,357)</u>	<u>1,476,034</u>
Capital Assets at Historical Cost	<u>2,158,057</u>	<u>79,622</u>	<u>(623,895)</u>	<u>1,613,782</u>
Less: Accumulated Depreciation				
Site Improvements	(9,933)	(2,374)	0	(12,307)
Buildings and Improvements	(352,930)	(51,542)	0	(404,471)
Furniture, Fixtures and Equipment	<u>(639,179)</u>	<u>(81,262)</u>	<u>513,357</u>	<u>(207,084)</u>
Total Accumulated Depreciation	<u>(1,002,042)</u>	<u>(135,178)</u>	<u>513,357</u>	<u>(623,862)</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 1,156,015</u>	<u>\$ (55,556)</u>	<u>\$ (110,538)</u>	<u>\$ 989,920</u>

The school has pledged land and buildings and improvements as collateral for the construction loan to build a new charter school building. See Note (12) for further information of this transaction.

NOTE (9) PENSION PLAN

Plan Description. The School contributes to the Commonwealth of Pennsylvania Public School Employee's Retirement System (the System). The System is a government cost sharing multiple-employer defined benefit plan. The System provides retirement and disability benefits, legislative mandated ad hoc cost-of-living adjustments, and health care insurance premium assistance to qualifying annuitants. The Public School Employee's Retirement Code (Act No. 96 of October 2, 1975, as amended) (24 PA. C.S. 8101-8535) assigns the authority to establish and amend benefit provisions to the System. The System issues a comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Diane J. Wert, Office of Financial Management, Public School Employees' Retirement System, P.O. Box 125, Harrisburg, Pennsylvania 17108-0125, or in the publications section of the PSERS site on the internet, www.psers.state.pa.us/publications/cafr/index.htm.

Funding Policy. The contribution policy is established in the Public School Employee's Retirement Code and requires contributions by active members, employers, and the Commonwealth.

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

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

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

Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (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 or 2010 that in future fiscal years 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%

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 (9) PENSION PLAN “CONTINUED”

Contributions. Employer contributions for the year ended June 30, 2013, 2012 and 2011 on the accrual basis, amounted to \$172,009, \$124,470, and \$81,630, respectively. The Commonwealth reimbursed the School for fifty-percent of the required contributions.

NOTE (10) REVOLVING LINE OF CREDIT

The School had a \$200,000 revolving line of credit with interest charged at prime per annum. The line of credit was closed on April 2, 2013.

NOTE (11) OPERATING LEASES

Total rental expense incurred for the year ended June 30, 2013 under various renewable operating leases for the year totaled \$192,416. The aggregate future minimum rental payments under operating leases for the next five (5) years ending June 30 are as follows:

2014	\$	219,126
2015		92,400
2016		92,480
2017		92,520
2018		92,520
2019-2022		455,880
Thereafter		450,000
	\$	<u>1,494,926</u>

NOTE (12) RELATED PARTY AGREEMENTS, LEASES AND OTHER BUSINESS TRANSACTIONS

Management Consulting Agreement

Dr. Robert Ketterer Charter School, Inc. agrees to accept from Adelphoi Village, Inc. and AdelphoiUSA, Inc. consulting services on an actual day-to-day basis on areas related to administrative and educational consulting services. The 2012–2013 management fees totaled \$154,111 and \$293,468, respectively.

Usage Agreements

Dr. Robert Ketterer Charter School, Inc. leased usage of space at the Scalise Family Recreation Center, Middle Creek, and Tito Center from Adelphoi Village, Inc. The rent for gymnasium usage is 54.52% of 2012-2013 budgeted costs, resulting in an annual rent of \$41,184. Server room rental at Scalise Family Recreation Center totaled \$2,400. Classroom rental at Middle Creek and at Tito Center totaled \$24,048 and \$28,611, respectively.

NOTE (12) RELATED PARTY AGREEMENTS, LEASES AND OTHER BUSINESS TRANSACTIONS “CONTINUED”

Food Service

Adelphoi Village, Inc. provides food service to Dr. Robert Ketterer Charter School, Inc. The food service expense for 2012–2013 totaled \$121,144. The School utilized pass-through federal and state subsidies to reimburse Adelphoi Village, Inc. for food service expenses.

Out-of-State Students

Dr. Robert Ketterer Charter School, Inc. provides educational services to Delaware and West Virginia students at Adelphoi Village, Inc. programs that attend the Charter School. Adelphoi Education, Inc. invoices for these services and passes this income to Dr. Robert Ketterer Charter School, Inc. The total amount invoiced for Delaware, Nebraska, and West Virginia students for the year ended June 30, 2013 is \$145,821.

Title I

Dr. Robert Ketterer Charter School, Inc. received Title I, Part D funds for students receiving instruction provided by Adelphoi Education, Inc. The subrecipient was granted non-ARRA awards of \$123,759.

School Building Construction

Dr. Robert Ketterer Charter School, Inc. has signed a letter of intent with AdelphoiUSA for the construction and lease of a 15,500 square foot building with appurtenant site improvements. AdelphoiUSA has provided the Charter School with a construction allowance of \$110 per square foot, however, if construction costs exceed the allowance, the Charter School is responsible for construction overages, not to exceed \$1.3 million. The fifteen-year lease is set to commence on October 1, 2013, with an annual base rent of \$90,000. The Charter School will be responsible for all operating costs, including utilities, insurance, maintenance, repairs, and real estate taxes.

Dr. Robert Ketterer Charter School, Inc. has pledged their building, building improvements and land, located in Unity Township, Westmoreland County, Pennsylvania as collateral on Adelphoi USA Inc.’s initial construction loan for the new charter school facility.

NOTE (13) DEPENDENCY ON SCHOOL DISTRICTS AND ADELPHOI VILLAGE, INC.

Analysis of the Statement of Revenues, Expenditures and Changes in Fund Balance indicates that a significant portion of revenue is the result of funding received through area school districts and Adelphoi Village, Inc. Thus, any significant changes in allocations received could have a significant effect on the continuity of services provided by the Dr. Robert Ketterer Charter School, Inc. Non-renewal of existing area school district participation, Adelphoi Village, Inc. participation or adjustment of such participation would likewise have significant impact upon Dr. Robert Ketterer Charter School, Inc.

NOTE (14) CONTINGENT LIABILITIES

Grant Programs

The School participates in both federal and state grant programs. These programs are subject to program compliance audits by the grantors. The School could be liable for any expenditure which is disallowed by the grantor; however, management is not aware of any such significant items.

Litigation

There was no litigation that would significantly affect the financial statements as presented at June 30, 2013.

NOTE (15) SUBSEQUENT EVENTS

Subsequent events were evaluated through December 18, 2013 which is the date the financial statements were available to be issued.

DR. ROBERT KETTERER
CHARTER SCHOOL, INC.
LATROBE, PENNSYLVANIA

SUPPLEMENTARY INFORMATION

Year Ended June 30, 2013

DR. ROBERT KETTERER CHARTER SCHOOL, INC.
SCHEDULE OF REVENUES & EXPENDITURES
YEAR ENDED JUNE 30, 2013

OPERATING REVENUES	
Public School Tuition	\$ 2,961,168
Grant Revenue	546,856
Subsidy Reimbursement & Other Revenue	<u>268,180</u>
TOTAL OPERATING REVENUES	<u>3,776,204</u>
OPERATING EXPENSES	
Salaries	1,588,077
Benefits	569,947
Facility & Equipment Expense	359,814
Student & Residents Expense	111,080
Supplies & Other Expense	354,212
Outside Services	114,932
Professional Services	624,869
Travel & Training	11,820
Insurance	9,514
Depreciation	<u>135,177</u>
TOTAL OPERATING EXPENSES	<u>3,879,442</u>
NET OPERATING REVENUES	<u>(103,238)</u>
NON-OPERATING REVENUES (EXPENSES)	
Dividend Income	45,118
Gain/Loss on Investments	(35,574)
Donations Revenue	<u>12,731</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>22,275</u>
EXCESS REVENUES OVER EXPENSES	<u><u>\$ (80,963)</u></u>

INDEPENDENT AUDITORS' 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*

To the Board of Trustees
Dr. Robert Ketterer Charter School, Inc.
Latrobe, 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, and each major fund of Dr. Robert Ketterer Charter School, Inc., as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Dr. Robert Ketterer Charter School Inc.'s basic financial statements and have issued our report thereon dated December 18, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Dr. Robert Ketterer Charter School, Inc.'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 Dr. Robert Ketterer Charter School, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Dr. Robert Ketterer Charter School, Inc.'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as finding #2013-1/2012-1/2011-1/2010-1 that we consider to be a significant deficiency.

Compliance and Other Matters

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

Dr. Robert Ketterer Charter School, Inc.'s Response to Findings

Dr. Robert Ketterer Charter School, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Dr. Robert Ketterer Charter School, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Horner, Wible & Terek, PC

Horner, Wible & Terek, PC
Greensburg, Pennsylvania
December 18, 2013

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY OMB CIRCULAR A-133

To the Board of Trustees
Dr. Robert Ketterer Charter School, Inc.
Latrobe, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited Dr. Robert Ketterer Charter School, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Dr. Robert Ketterer Charter School, Inc.'s major federal programs for the year ended June 30, 2013. Dr. Robert Ketterer Charter School, Inc.'s major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Dr. Robert Ketterer Charter School, Inc.'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 Dr. Robert Ketterer Charter School, Inc.'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 Dr. Robert Ketterer Charter School, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Dr. Robert Ketterer Charter School, Inc., 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

Management of Dr. Robert Ketterer Charter School, Inc., 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 Dr. Robert Ketterer Charter School, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Dr. Robert Ketterer Charter School, Inc.'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.

Horner, Wible & Terek, PC

Horner, Wible & Terek, PC
Greensburg, Pennsylvania
December 18, 2013

DR. ROBERT KETTERER CHARTER SCHOOL, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2013

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER	FEDERAL CFDA NUMBER	SOURCE	PASS THROUGH GRANTOR'S NUMBER	GRANT PERIOD		6/30/2012 ACCRUED (DEFERRED) REVENUE	PRIOR PERIOD ADJUSTMENT ACCRUED (DEFERRED) REVENUE	CASH RECEIVED (REFUNDED)	FEDERAL EXPENDITURES	6/30/2013 ACCRUED (DEFERRED) REVENUE
				BEGINNING	ENDING					
U.S. DEPARTMENT OF EDUCATION										
PASSED THROUGH THE PENNSYLVANIA DEPARTMENT OF EDUCATION:										
Title I - Part A Cluster	84.010	INDIRECT								
Title I Grants to Local Educational Agencies - Improving Basic Programs			013-120852	7/1/2011	6/30/2012	\$ 1,070	\$ 0	\$ 1,070	\$ 0	\$ 0
Title I Grants to Local Educational Agencies - Improving Basic Programs			013-130852	7/1/2012	6/30/2013	0	0	19,908	20,995	1,087
Title I Grants to Local Educational Agencies - Delinquent			107-110852	7/1/2010	6/30/2011	(23,710)	0	0	23,710	0
Title I Grants to Local Educational Agencies - Delinquent			107-120852	7/1/2011	6/30/2012	40,474	0	79,085	38,611	0
Title I Grants to Local Educational Agencies - Delinquent			107-130852	7/1/2012	6/30/2013	0	0	392,047	352,128	(39,919)
						<u>17,834</u>	<u>0</u>	<u>492,110</u>	<u>435,444</u>	<u>(38,832)</u>
TITLE II - Improving Teacher Quality	84.367	INDIRECT								
Title II - Improving Teacher Quality State Grants			020-120852	7/1/2011	6/30/2012	(106)	0	1,878	1,984	0
Title II - Improving Teacher Quality State Grants			020-130852	7/1/2012	6/30/2013	0	0	7,034	4,413	(2,621)
						<u>(106)</u>	<u>0</u>	<u>8,912</u>	<u>6,397</u>	<u>(2,621)</u>
PASSED THROUGH WESTMORELAND INTERMEDIATE UNIT:										
Special Education Cluster (IDEA)	84.027	INDIRECT								
Special Education-Grants to States (IDEA, Part B)				7/1/2010	6/30/2011	0	0	0	0	0
Special Education-Grants to States (IDEA, Part B)				7/1/2011	6/30/2012	35,354	0	35,354	0	0
Special Education-Grants to States (IDEA, Part B)				7/1/2012	6/30/2013	0	0	0	54,603	54,603
						<u>35,354</u>	<u>0</u>	<u>35,354</u>	<u>54,603</u>	<u>54,603</u>
TOTAL U.S. DEPARTMENT OF EDUCATION						<u>53,082</u>	<u>0</u>	<u>536,376</u>	<u>496,444</u>	<u>13,150</u>
U.S. DEPARTMENT OF AGRICULTURE										
PASSED THROUGH THE PENNSYLVANIA DEPARTMENT OF EDUCATION:										
NATIONAL SCHOOL LUNCH PROGRAM	10.555	INDIRECT								
National School Lunch Program			362	7/1/2011	6/30/2012	14,244	616	14,860	0	0
National School Lunch Program			362	7/1/2012	6/30/2013	0	0	52,541	73,105	20,564
Donated Commodities Passed Through Imler's Poultry			362	7/1/2012	6/30/2013	0	0	5,510	5,510	0
						<u>14,244</u>	<u>616</u>	<u>72,911</u>	<u>78,615</u>	<u>20,564</u>
PASSED THROUGH THE PENNSYLVANIA DEPARTMENT OF EDUCATION:										
SCHOOL BREAKFAST PROGRAM	10.553	INDIRECT								
School Breakfast Program			367	7/1/2011	6/30/2012	7,037	249	7,286	0	0
School Breakfast Program			367	7/1/2012	6/30/2013	0	0	25,881	35,852	9,971
						<u>7,037</u>	<u>249</u>	<u>33,167</u>	<u>35,852</u>	<u>9,971</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE						<u>21,281</u>	<u>865</u>	<u>106,078</u>	<u>114,467</u>	<u>30,535</u>

The Accompanying Notes are an Integral Part of this Schedule

DR. ROBERT KETTERER CHARTER SCHOOL, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS "CONTINUED"
Fiscal Year Ended June 30, 2013

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER	FEDERAL CFDA NUMBER	SOURCE	PASS THROUGH GRANTOR'S NUMBER	GRANT PERIOD		6/30/2012 ACCRUED (DEFERRED) REVENUE	PRIOR PERIOD ADJUSTMENT ACCRUED (DEFERRED) REVENUE	CASH RECEIVED (REFUNDED)	FEDERAL EXPENDITURES	6/30/2013 ACCRUED (DEFERRED) REVENUE
				BEGINNING	ENDING					
PENNSYLVANIA DEPARTMENT OF EDUCATION										
NATIONAL SCHOOL LUNCH PROGRAM	N/A	STATE								
State Matching Assistance			510	7/1/2011	6/30/2012	796	38	834	0	0
State Matching Assistance			510	7/1/2012	6/30/2013	0	0	2,751	3,757	1,006
State Matching Assistance			511	7/1/2011	6/30/2012	408	15	423	0	0
State Matching Assistance			511	7/1/2012	6/30/2013	0	0	1,439	1,997	558
State Matching Assistance			512	7/1/2011	6/30/2012	158	3	161	0	0
State Matching Assistance			513	7/1/2011	6/30/2012	40	2	42	0	0
Total State Matching Assistance						<u>1,402</u>	<u>58</u>	<u>5,650</u>	<u>5,754</u>	<u>1,564</u>
TOTAL FEDERAL AND STATE MATCHING ASSISTANCE						75,765	923	648,104	616,665	45,249
LESS: STATE MATCHING ASSISTANCE						<u>(1,402)</u>	<u>(58)</u>	<u>(5,650)</u>	<u>(5,754)</u>	<u>(1,564)</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE						\$ <u>74,363</u>	\$ <u>865</u>	\$ <u>642,454</u>	\$ <u>610,911</u>	\$ <u>43,685</u>

DR. ROBERT KETTERER CHARTER SCHOOL, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2013

NOTE (1) BASIS OF PRESENTATION

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

NOTE (2) SUBRECIPIENTS

Of the federal expenditures presented in the schedule, Dr. Robert Ketterer Charter School, Inc. provided federal awards to subrecipients as follows:

Title 1	CFDA Number 84.010	\$	123,759
School Breakfast Program	CFDA Number 10.553		35,852
National School Lunch Program	CFDA Number 10.555		<u>78,615</u>
		\$	<u><u>238,226</u></u>

DR. ROBERT KETTERER CHARTER SCHOOL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2013

I. SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

1. The auditors' report expresses an unqualified opinion on the financial statements of the Dr. Robert Ketterer Charter School, Inc.
2. One significant deficiency relating to the audit of the financial statements is reported in the 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*. The deficiency is not reported as a material weakness.
3. No instances of noncompliance material to the financial statements of the Dr. Robert Ketterer Charter School, Inc. were disclosed during the audit.

SINGLE AUDIT

4. No significant deficiencies relating to the audit of major federal award programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for major programs expresses an unqualified opinion.
6. There are no audit findings in accordance with Section 501(a) of OMB Circular A-133 reported in this schedule.
7. The programs tested as major programs include:
Title I Part A Cluster - CFDA #84.010
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. The Dr. Robert Ketterer Charter School, Inc. was determined to be a low-risk auditee.

II. FINDINGS - FINANCIAL STATEMENTS AUDIT

#2013-1/2012-1/2011-1/2010-1 Safeguarding Capital Assets

Condition – The fiscal department of the School maintains a capital asset subledger on Excel. The subledger identifies the description, acquisition date, cost, asset life, depreciation expense, accumulated depreciation, and net book value. The subledger is also being entered into the fixed asset module of the School's accounting software. The Title I coordinator takes additional steps to safeguard assets purchased with Title I grant funds. Title I assets are tagged and a Title I asset subledger is maintained.

#2013-1/2012-1/2011-1/2010-1 Safeguarding Capital Assets “Continued”

Criteria – Internal controls should be in place to ensure that the capital asset subledger is complete. Assets should be identified by prenumbered identification tags, and assets purchased with government grants should be properly identified by grantor. Disposals of capital assets should be reviewed by management and entered into the capital assets subledger by accounting personnel in a timely fashion. An annual physical inventory should be performed to determine whether the assets still physically exist.

Cause – There are no procedures in place to require identification of assets by prenumbered tag and grantor funding source or to require the approval for disposition of capital assets.

Effect – Because of the failure to properly identify capital assets by prenumbered tag and grantor, to properly account for dispositions of capital assets, and to perform an annual physical inventory, the book value and related depreciation expense reported on the financial statements could be materially misstated. Capital assets could be misappropriated without the knowledge of management.

Recommendation – In order to properly safeguard capital assets, procedures should be implemented requiring the identification with prenumbered tag and grantor, to properly account for dispositions, and to perform an annual physical inventory.

View of Management and Planned Corrective Actions – We value the audit opinion in regard to the finding and understand the principal and ideal practice of pre-numbered asset tags, identification by grantor, recording dispositions and taking a physical annual inventory. We strive to improve and meet the expectation but have been unable to prioritize the practice. As management we recognize the importance and are not intending to minimize the best practice, but we do feel comfortable that we have limited exposure to any material misappropriation. Our goal is to implement the best practice.

III. FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAM AUDIT

None