

**Clairton City School District
Financial Statements
June 30, 2018**

**Clairton City School District
Table of Contents**

	Exhibit	Page No.
FINANCIAL SECTION		
Independent Auditor's Report		1 - 3
Management's Discussion and Analysis		4 - 14
Basic Financial Statements		
Government-Wide Financial Statements		
Statement of Net Position	1	15
Statement of Activities	2	16
Fund Financial Statements		
Balance Sheet - Governmental Funds	3	17
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	4	18
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	5	19
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	6	20 - 21
Statement of Net Position - Proprietary Funds	7	22
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	8	23
Statement of Cash Flows - Proprietary Fund Types	9	24 - 25
Statement of Net Position - Fiduciary Funds	10	26
Notes to Financial Statements		27 - 56
Required Supplementary Information		
Schedule of Revenues, Expenditures and Changes in Fund Balance General Fund - Budget and Actual		57 - 64
Note to the Required Supplementary Information		65

**Clairton City School District
Table of Contents**

	Exhibit	Page No.
FINANCIAL SECTION (CONT'D)		
Required Supplementary Information (Cont'd)		
Schedule of Changes in the Total OPEB Liabilities And Related Ratios		66
Schedule of School District's Contributions - PSERS OPEB		67
Schedule of School District's Contributions - PSERS		68
Schedule of School District's Proportionate Share of the Net Pension Liability - PSERS		69
SINGLE AUDIT SECTION		
Letter of Transmittal		70
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	A	71 - 72
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	B	73 - 75
Schedule of Findings and Questioned Costs	C	76 - 78
Schedule of Expenditures of Federal Awards	D	79 - 80
List of Report Distribution	E	81

HOSACK, SPECHT, MUETZEL & WOOD LLP
CERTIFIED PUBLIC ACCOUNTANTS
2 PENN CENTER WEST, SUITE 326
PITTSBURGH, PENNSYLVANIA 15276
PHONE - 412-343-9200
FAX - 412-343-9209
HSMW@HSMWCPA.COM
WWW.HSMWCPA.COM

Independent Auditor's Report

Members of the Board
Clairton City School District
Clairton, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clairton City School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Clairton City School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Report on the Financial Statements (Cont'd)

Auditor's Responsibility (Cont'd)

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clairton City School District, as of June 30, 2018, 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, budgetary comparison information, post-employment benefit information and pension information as shown in the table of contents, 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 Clairton City School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

Report on the Financial Statements (Cont'd)

Other Matters (Cont'd)

Other Information (Cont'd)

Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2019, on our consideration of Clairton City School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Clairton City School District's 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 Clairton City School District's internal control over financial reporting and compliance.

Hosack, Specht, Muetzel & Wood LLP

HOSACK, SPECHT, MUETZEL & WOOD LLP
Pittsburgh, Pennsylvania
May 17, 2019

Clairton City School District
Management's Discussion and Analysis
June 30, 2018

The discussion and analysis of Clairton City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

The Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Government Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for the State and Local Governments. Certain comparative information between the current year and the prior year is required to be presented in this MD&A.

Financial Highlights

The School District budgeted a beginning general fund balance of \$980,115, expenditures in excess of revenues of \$409,142 and an ending fund balance of \$570,973. The actual results were as follows: beginning fund balance of \$1,047,971; expenditures in excess of revenues of \$301,403 and an ending fund balance of \$746,568.

The School District maintains a two-tiered real estate tax structure. Land is assessed at 80.808 mills and buildings are assessed at 7.542 mills. There are no plans to change this structure.

For the fiscal year ended June 30, 2018, Clairton City School District had expenditures in excess of revenue for the fifth consecutive year. Although less than expected, this was a 29% decrease in fund balance. Increasing charter school costs, legislated and contractual employee benefit costs and political uncertainty regarding state funding will continue to burden the School District's fund balance. Management must remain vigilant in containing costs while simultaneously exploring options for additional sources of revenue.

Using the Annual Financial Report

The Annual Financial Report consists of a financial section and a single audit section which is issued to comply with federal guidelines as required in the Government Auditing Standards and the Uniform Grant Guidance. Within the financial section are the management's discussion and analysis (this section) and a series of financial statements and notes to those statements. These statements are organized so that the reader can understand Clairton City School District as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The first two statements are government-wide financial statements - the statement of net position and the statement of activities. These provide both long-term and short-term information about the School District's overall financial status.

Clairton City School District
Management's Discussion and Analysis
June 30, 2018

Using the Annual Financial Report (Cont'd)

The remaining statements are fund financial statements that focus on individual parts of the School District's operations in more detail than the government-wide statements. The governmental funds statements tell how general School District services were financed in the short term as well as what remains for future spending. Proprietary fund statements offer short and long-term financial information about the activities that the School District operates like a business. For this School District, this is our food service fund. Fiduciary fund statements provide information about financial relationships where the School District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes to explain some of the information in the financial statements and provide more detailed data.

Figure A-1 shows how the required parts of the financial section are arranged and relate to one another:

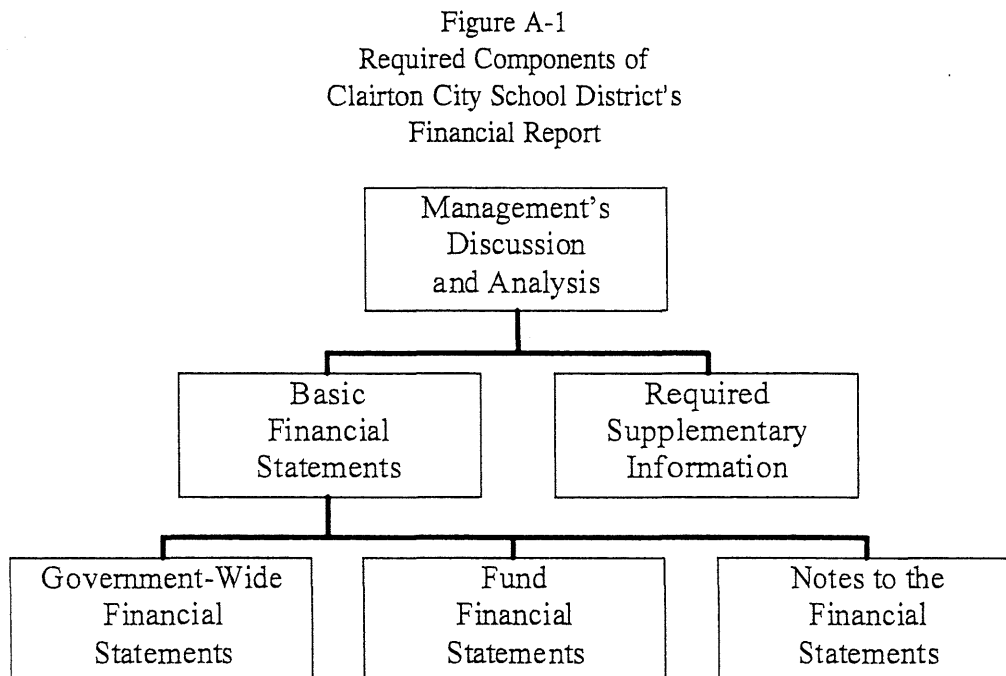


Figure A-2 summarizes the major features of the School District's financial statements, including the portion of the School District they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Clairton City School District
Management's Discussion and Analysis
June 30, 2018

Using the Annual Financial Report (Cont'd)

Figure A-2
Major Features of Clairton City School District's
Government-Wide and Fund Financial Statements

	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School District (except fiduciary funds)	The activities of the School District that are not proprietary or fiduciary, such as education, administration and community services	Activities the School District operates similar to private business - food services	Instances in which the School District is the trustee or agent to some- one else's resources
Required financial state- ments	Statement of net position; statement of activities	Balance sheet; statement of revenues, expendi- tures, and changes in fund balance	Statement of net position; statement of revenues, expenses and changes in net position; statement of cash flows	Statement of fiduciary net position; statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capi- tal, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capi- tal, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of in-flow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and pay- ment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

Overview of Financial Statements

Government-Wide Statements

The government-wide statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

Clairton City School District
Management's Discussion and Analysis
June 30, 2018

Overview of Financial Statements (Cont'd)

Government-Wide Statements (Cont'd)

The two government-wide statements report the School District's net position and how they have changed. Net position, the difference between the School District's assets and liabilities, is only one way to measure the School District's financial health or position.

Over time, increases or decreases in the School District's net position is an indication of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the School District, you need to consider additional non-financial factors, such as changes in the School District's property tax base and the performance of the students.

The government-wide financial statements of the School District are divided into two categories:

- **Governmental activities** - All of the School District's basic services are included here, such as instruction, administration and community services. Property taxes and state and federal subsidies and grants finance most of these activities.
- **Business type activities** - The School District operates a food service operation and charges fees to staff, students and visitors to help it cover the costs of the food service operation.

Fund Financial Statements

The School District's fund financial statements, which begin with Exhibit 3, provide detailed information about the most significant funds - not the School District as a whole. Some funds are required by state law and bond requirements.

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

Proprietary funds - These funds are used to account for the School District activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the School District charges customers for services it provides - whether to outside customers or to other units in the School

Clairton City School District
Management's Discussion and Analysis
June 30, 2018

Overview of Financial Statements (Cont'd)

Fund Financial Statements (Cont'd)

District - these services are generally reported in proprietary funds. The food service fund is the School District's proprietary fund and is the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows.

Fiduciary funds - The School District is the trustee, or fiduciary, for activity funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net position on Exhibit 10. We exclude these activities from the School District's other financial statement because the School District cannot use these assets to finance its operations.

Financial Analysis of the School District as a Whole

The School District's total net position was a deficit \$(12,335,614) at June 30, 2018 and a deficit \$(11,631,137) at June 30, 2017.

Table A-1
Years Ended June 30, 2018 and 2017
Net Position

	2018			2017		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Current and Other Assets	\$ 6,997,561	\$199,906	\$ 7,197,467	\$ 8,337,699	\$197,051	\$ 8,534,750
Capital Assets	<u>7,724,728</u>	<u>68,970</u>	<u>7,793,698</u>	<u>8,265,228</u>	<u>79,139</u>	<u>8,344,367</u>
Total Assets	<u>14,722,289</u>	<u>268,876</u>	<u>14,991,165</u>	<u>16,602,927</u>	<u>276,190</u>	<u>16,879,117</u>
Deferred Outflow of Resources	<u>3,795,490</u>	<u>-</u>	<u>3,795,490</u>	<u>4,223,614</u>	<u>-</u>	<u>4,223,614</u>
Current and Other Liabilities	2,029,996	42,162	2,072,158	3,291,190	30,780	3,321,970
Noncurrent Liabilities						
Due Within One Year	182,970	-	182,970	271,513	-	271,513
Due in More Than One Year	<u>27,952,912</u>	<u>-</u>	<u>27,952,912</u>	<u>28,498,385</u>	<u>-</u>	<u>28,498,385</u>
Total Liabilities	<u>30,165,878</u>	<u>42,162</u>	<u>30,208,040</u>	<u>32,061,088</u>	<u>30,780</u>	<u>32,091,868</u>
Deferred Inflow of Resources	<u>863,713</u>	<u>-</u>	<u>863,713</u>	<u>642,000</u>	<u>-</u>	<u>642,000</u>
Net Position						
Net Investment in Capital Assets	5,182,518	68,970	5,251,488	5,549,505	79,139	5,628,644
Unrestricted	<u>(17,744,846)</u>	<u>157,744</u>	<u>(17,587,102)</u>	<u>(17,426,052)</u>	<u>166,271</u>	<u>(17,259,781)</u>
Total Net Position	<u>\$(12,562,328)</u>	<u>\$226,714</u>	<u>\$(12,335,614)</u>	<u>\$(11,876,547)</u>	<u>\$245,410</u>	<u>\$(11,631,137)</u>

Clairton City School District
Management's Discussion and Analysis
June 30, 2018

Financial Analysis of the School District as a Whole (Cont'd)

Most of the School District's net position is invested in capital assets (buildings, land, and equipment). The remaining unrestricted net position is a combination of designated and undesignated amounts. The designated balances are amounts set aside to fund the current capital projects.

The results of this year's operations as a whole are reported in the statement of activities on Exhibit 2. All expenses are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are represented to determine the final amount of the School District's activities that are supported by other general revenues. The two largest general revenues are the local taxes assessed to community taxpayers and the Basic Education Subsidy provided by the state of Pennsylvania.

Table A-2 takes the information from that statement, rearranges it slightly, so you can see our total revenues for the year.

Table A-2
Years Ended June 30, 2018 and 2017
Changes in Net Position

	2018			2017		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Revenues						
Program Revenues						
Charges for Services	\$ -	\$101,553	\$ 101,553	\$ -	\$110,489	\$ 110,489
Operating Grants and Contributions	4,582,682	527,290	5,109,972	4,471,686	667,233	5,138,919
General Revenues						
Property Taxes	2,707,372	-	2,707,372	2,792,347	-	2,792,347
Other Taxes	651,953	-	651,953	562,218	-	562,218
Grants, Subsidies & Contribs.						
Unrestricted	7,816,293	-	7,816,293	7,701,958	-	7,701,958
Investment Earnings	16,232	122	16,354	3,235	45	3,280
Miscellaneous Income	<u>208,810</u>	<u>-</u>	<u>208,810</u>	<u>113,381</u>	<u>-</u>	<u>113,381</u>
Total Revenues	<u>15,983,342</u>	<u>628,965</u>	<u>16,612,307</u>	<u>15,644,825</u>	<u>777,767</u>	<u>16,422,592</u>
Expenses						
Instruction	11,305,499	-	11,305,499	11,339,679	-	11,339,679
Instructional Student Support	1,364,285	-	1,364,285	1,223,197	-	1,223,197
Admin. and Fin. Support Svcs.	1,862,727	-	1,862,727	1,989,789	-	1,989,789
Operation and Maintenance of Plant Services	1,181,590	-	1,181,590	1,214,108	-	1,214,108
Pupil Transportation	437,480	-	437,480	487,388	-	487,388
Student Activities	388,960	-	388,960	449,587	-	449,587
Community Services	18,168	-	18,168	13,718	-	13,718

Clairton City School District
Management's Discussion and Analysis
June 30, 2018

Financial Analysis of the School District as a Whole (Cont'd)

Table A-2 (Cont'd)
Years Ended June 30, 2018 and 2017
Changes in Net Position

	2018			2017		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Expenses (Cont'd)						
Interest Expense	\$ 110,414	\$ -	\$ 110,414	\$ 65,640	\$ -	\$ 65,640
Food Service	<u>-</u>	<u>647,661</u>	<u>647,661</u>	<u>-</u>	<u>662,894</u>	<u>662,894</u>
Total Expenses	<u>16,669,123</u>	<u>647,661</u>	<u>17,316,784</u>	<u>16,783,106</u>	<u>662,894</u>	<u>17,446,000</u>
Increase (Decrease) in Net Position	(685,781)	(18,696)	(704,477)	(1,138,281)	114,873	(1,023,408)
Beginning Net Position	<u>(11,876,547)</u>	<u>245,410</u>	<u>(11,631,137)</u>	<u>(10,738,266)</u>	<u>130,537</u>	<u>(10,607,729)</u>
Ending Net Position	<u>\$(12,562,328)</u>	<u>\$226,714</u>	<u>\$(12,335,614)</u>	<u>\$(11,876,547)</u>	<u>\$245,410</u>	<u>\$(11,631,137)</u>

The tables below present the expenses of both the governmental activities and the business-type activities of the School District.

Table A-3 shows the School District's largest functions - instructional programs, instructional student support, administrative, operation and maintenance of plant, pupil transportation, student activities, community services, food service, as well as each program's net cost (total cost less revenues generated by the activities). This table also shows the net costs offset by the other unrestricted grants, subsidies and contributions to show the remaining financial needs supported by local taxes and other miscellaneous revenues.

Table A-3
Years Ended June 30, 2018 and 2017
Governmental Activities

	2018		2017	
Functions/Programs	Total Cost (Expense) of Services	Net Cost (Expense) of Services	Total Cost (Expense) of Services	Net Cost (Expense) of Services
Instruction	\$11,305,499	\$ 7,647,875	\$11,339,679	\$ 7,563,940
Instructional Student Support	1,364,285	1,099,666	1,223,197	1,059,666

Clairton City School District
Management's Discussion and Analysis
June 30, 2018

Financial Analysis of the School District as a Whole (Cont'd)

Table A-3 (Cont'd)
Years Ended June 30, 2018 and 2017
Governmental Activities

	2018		2017	
Functions/Programs (Cont'd)	Total Cost (Expense) Services	Net Cost (Expense) of Services	Total Cost (Expense) of Services	Net Cost (Expense) of Services
Admin. and Financial Support Svcs.	\$ 1,862,727	\$ 1,590,255	\$ 1,989,789	\$ 1,731,003
Operation and Maintenance of Plant Svcs.	1,181,590	1,181,590	1,214,108	1,214,108
Pupil Transportation	437,480	74,510	487,388	234,712
Student Activities	388,960	363,963	449,587	428,633
Community Services	18,168	18,168	13,718	13,718
Interest Expense	<u>110,414</u>	<u>110,414</u>	<u>65,640</u>	<u>65,640</u>
Total Governmental Activities	<u>\$16,669,123</u>	12,086,441	<u>\$16,783,106</u>	12,311,420
Less:				
Unrestricted Grants, Subsidies		<u>(7,816,293)</u>		<u>(7,701,958)</u>
Total Needs from Local Taxes and Other Revenues		<u>\$ 4,270,148</u>		<u>\$ 4,609,462</u>

Table A-4 reflects the activities of the food service program, the only business-type activity of the School District.

Table A-4
Years Ended June 30, 2018 and 2017
Business-Type Activities

	2018		2017	
Functions/Programs	Total Cost (Expense) of Services	Net Cost (Expense) of Services	Total Cost (Expense) of Services	Net Cost (Expense) of Services
Food Service	<u>\$647,661</u>	\$18,818	<u>\$662,894</u>	\$ (114,828)
Less:				
Investment Earnings		<u>(122)</u>		<u>(45)</u>
		<u>\$18,696</u>		<u>\$ (114,873)</u>

Clairton City School District
Management's Discussion and Analysis
June 30, 2018

Financial Analysis of the School District as a Whole (Cont'd)

The statement of revenues, expenses and changes in net position for this proprietary fund shown on Exhibit 8 will further detail the actual results of operations.

School District Funds

At June 30, 2018, the School District's governmental funds reported a combined fund balance of \$799,195, which is a decrease of \$301,356. The primary reason for this decrease is that during the year ended June 30, 2018, the School District's local revenues did not meet budget expectations. The School District had budgeted to use \$409,142 of the beginning fund balance to balance the budget and this was not all needed.

General Fund Budget

During the fiscal year, the Board of School Directors (The Board) may authorize revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the School District. All adjustments are again confirmed at the time the annual audit is accepted, which is after the end of the fiscal year, which is not prohibited by state law. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in the financial statements.

The School District applies for federal, state and local grants and these grants cannot always be anticipated in the budgeting process.

Budgeted expenditures and other financing uses also increased this same amount to compensate for the additional approved grants. Transfers between specific categories of expenditures/financing uses occur during the year.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2018, the School District had \$7,724,728 invested in a broad range of capital assets, including, land, land improvements, buildings and furniture and equipment with the majority of the total \$7,107,957 invested in buildings and building improvements.

Table A-5
Governmental Activities
Capital Assets - Net of Depreciation

	2018	2017
Land	\$ 483,122	\$ 495,122
Land Improvements	18,732	49,296

**Clairton City School District
Management's Discussion and Analysis
June 30, 2018**

Capital Assets and Debt Administration (Cont'd)

Capital Assets (Cont'd)

Table A-5 (Cont'd)
Governmental Activities
Capital Assets - Net of Depreciation

	2018	2017
Buildings and Building Improvements	\$7,107,957	\$7,546,425
Furniture and Equipment	114,917	174,385

Debt Administration

As of July 1, 2018 and 2017, the School District had no outstanding bonds.

Other obligations include accrued vacation pay and sick leave for specific employees of the School District. More detailed information about our long-term liabilities is included in the notes to the financial statements.

At July 1, 2017, the School District had outstanding general obligation notes with a balance of \$2,715,723. During the 2017/2018 school year, principal payments of \$173,513 were made leaving an outstanding balance of \$2,542,210 as of June 30, 2018.

Economic Factors and Next Year's Budgets and Rates

The School District does not expect significant growth in the near future but will review raising the two-tier millage rate; land at 75.0 mills and buildings at 7.0 mills to the adjusted index to generate local revenue. The School District will also review with the City of Clairton to form a land bank to address blight.

Clairton City School District is characterized as being a mixed-use community, which has an industrial, commercial and residential property tax base. The Board makes every attempt to minimize any additional tax burden when addressing the means to achieve a balanced budget.

The comparison of revenue and expenditure categories is as follows:

Table A-6

	Budgeted Revenue 2017/2018	Actual Revenue 2017/2018
Local	26.07%	19.70%
State	67.64%	62.98%
Federal/Other	6.29%	17.32%

Clairton City School District
Management's Discussion and Analysis
June 30, 2018

Economic Factors and Next Year's Budgets and Rates (Cont'd)

	Budgeted Expenditures 2017/2018	Actual Expenditures 2017/2018
Instruction	65.58%	66.26%
Support Services	31.11%	29.53%
Noninstructional	2.07%	2.30%
Fund Transfers/Debt/Other	1.24%	1.91%

Contacting the School District Financial Management

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors, and creditors with a general overview of the School District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional information, please contact Mr. Larry Nicolette, Business Administrator at Clairton City School District, 502 Mitchell Avenue, Clairton, PA 15025, 412-233-4732.

Clairton City School District
Statement of Net Position
June 30, 2018

Exhibit 1

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and Cash Equivalents	\$ 1,697,532	\$ 19,438	\$ 1,716,970
Taxes Receivable, Net	4,266,678	-	4,266,678
Internal Balances	26,256	(26,256)	-
Due from Other Governments	780,454	111,727	892,181
Other Receivables	226,641	-	226,641
Inventories	-	25,255	25,255
Prepaid Items	-	69,742	69,742
Capital Assets not Being Depreciated			
Land	483,122	-	483,122
Capital Assets, Net of Accumulated Depreciation			
Site Improvements	18,732	-	18,732
Buildings and Building Improvements	7,107,957	-	7,107,957
Furniture and Equipment	<u>114,917</u>	<u>68,970</u>	<u>183,887</u>
TOTAL ASSETS	<u>14,722,289</u>	<u>268,876</u>	<u>14,991,165</u>
DEFERRED OUTFLOWS OF RESOURCES			
Amounts Related to Pensions	308,802	-	308,802
Amounts Related to OPEB	<u>3,486,688</u>	-	<u>3,486,688</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>3,795,490</u>	<u>-</u>	<u>3,795,490</u>
LIABILITIES			
Accounts Payable	253,853	23,226	277,079
Accrued Salaries and Benefits	1,608,751	-	1,608,751
Payroll Deductions and Withholdings	126,964	-	126,964
Unearned Revenues	31,181	18,936	50,117
Other Current Liabilities	9,247	-	9,247
Noncurrent Liabilities			
Due Within One Year	182,970	-	182,970
Due in More Than One Year			
Notes Payable	2,391,515	-	2,391,515
Compensated Absences	129,100	-	129,100
Other Post-Employment Benefits	3,010,297	-	3,010,297
Net Pension Liability	<u>22,422,000</u>	<u>-</u>	<u>22,422,000</u>
TOTAL LIABILITIES	<u>30,165,878</u>	<u>42,162</u>	<u>30,165,878</u>
DEFERRED INFLOWS OF RESOURCES			
Amounts Related to Pensions	620,000	-	620,000
Amounts Related to OPEB	<u>294,229</u>	<u>-</u>	<u>294,229</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>914,229</u>	<u>-</u>	<u>914,229</u>
NET POSITION			
Net Investment in Capital Assets	5,182,518	68,970	5,251,488
Unrestricted	<u>(17,744,846)</u>	<u>157,744</u>	<u>(17,587,102)</u>
TOTAL NET POSITION	<u><u>\$(12,562,328)</u></u>	<u><u>\$226,714</u></u>	<u><u>\$(12,335,614)</u></u>

See Accompanying Notes

Clairton City School District
Statement of Activities
Year Ended June 30, 2018

Exhibit 2

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Govern- mental Activities	Business- Type Activities	Totals
Governmental Activities						
Instruction	\$11,305,499	\$ -	\$3,657,624	\$ (7,647,875)	\$ -	\$ (7,647,875)
Instructional Student Support	1,364,285	-	264,619	(1,099,666)	-	(1,099,666)
Administrative and Financial Support Services	1,862,727	-	272,472	(1,590,255)	-	(1,590,255)
Operation and Maintenance of Plant Services	1,181,590	-	-	(1,181,590)	-	(1,181,590)
Pupil Transportation	437,480	-	362,970	(74,510)	-	(74,510)
Student Activities	388,960	-	24,997	(363,963)	-	(363,963)
Community Services	18,168	-	-	(18,168)	-	(18,168)
Interest on Long-Term Debt	<u>110,414</u>	<u>-</u>	<u>-</u>	<u>(110,414)</u>	<u>-</u>	<u>(110,414)</u>
Total Governmental Activities	<u>16,669,123</u>	<u>-</u>	<u>4,582,682</u>	<u>(12,086,441)</u>	<u>-</u>	<u>(12,086,441)</u>
Business-Type Activities						
Food Service	<u>647,661</u>	<u>101,553</u>	<u>527,290</u>	<u>-</u>	<u>(18,818)</u>	<u>(18,818)</u>
Total Primary Government	<u>\$17,316,784</u>	<u>\$101,553</u>	<u>\$5,109,972</u>	<u>(12,086,441)</u>	<u>(18,818)</u>	<u>(12,105,259)</u>
General Revenues						
Taxes						
Property Taxes Levied for General Purposes, Net				2,707,372	-	2,707,372
Earned Income Taxes				386,768	-	386,768
Business Privilege Taxes				200,110	-	200,110
Other Taxes Levied for General Purposes, Net				65,075	-	65,075
Grants, Subsidies and Contributions not Restricted				7,816,293	-	7,816,293
Investment Earnings				16,232	122	16,354
Miscellaneous Income				<u>208,810</u>	<u>-</u>	<u>208,810</u>
Total General Revenues				<u>11,400,660</u>	<u>122</u>	<u>11,400,782</u>
Change in Net Position				(685,781)	(18,696)	(704,477)
Net Position - July 1, 2017 (Restated - See Note 2)				<u>(11,876,547)</u>	<u>245,410</u>	<u>(11,631,137)</u>
Net Position - June 30, 2018				<u>\$(12,562,328)</u>	<u>\$226,714</u>	<u>\$(12,335,614)</u>

See Accompanying Notes

Clairton City School District
Balance Sheet
Governmental Funds
June 30, 2018

Exhibit 3

	General Fund	Nonmajor Funds	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$1,644,905	\$52,627	\$1,697,532
Taxes Receivable, Net	4,266,678	-	4,266,678
Due from Other Funds	26,256	-	26,256
Due from Other Governments	780,454	-	780,454
Other Receivables	<u>226,641</u>	<u>-</u>	<u>226,641</u>
TOTAL ASSETS	<u>\$6,944,934</u>	<u>\$52,627</u>	<u>\$6,997,561</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts Payable	\$ 253,853	\$ -	\$ 253,853
Accrued Salaries and Benefits	1,608,751	-	1,608,751
Payroll Deductions and Withholdings	126,964	-	126,964
Unearned Revenues	<u>31,181</u>	<u>-</u>	<u>31,181</u>
Total Liabilities	<u>2,020,749</u>	<u>-</u>	<u>2,020,749</u>
Deferred Inflows of Resources			
Unavailable Revenues - Property Taxes	<u>4,177,617</u>	<u>-</u>	<u>4,177,617</u>
Fund Balances			
Committed	-	52,627	52,627
Unassigned	<u>746,568</u>	<u>-</u>	<u>746,568</u>
Total Fund Balances	<u>746,568</u>	<u>52,627</u>	<u>799,195</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$6,944,934</u>	<u>\$52,627</u>	<u>\$6,997,561</u>

See Accompanying Notes

Clairton City School District
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2018

Exhibit 4

Total Fund Balances - Governmental Funds	\$ 799,195
--	------------

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$18,764,600, and the accumulated depreciation is \$11,039,872.	7,724,728
--	-----------

Property taxes receivable will be collected next year but are not available soon enough to pay for the current period's expenditures and therefore, are deferred inflows in the funds.	4,177,617
--	-----------

Some liabilities including net pension obligations, are not due and payable in the current period and therefore, are not reported in the funds.

Net Pension Liability	(22,422,000)
-----------------------	--------------

Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore, are not reported in the funds.

Deferred Outflows of Resources Related to Pensions	\$ 3,486,688	
Deferred Inflows of Resources Related to Pensions	(620,000)	
Deferred Outflows of Resources Related to OPEB	308,802	
Deferred Inflows of Resources Related to OPEB	<u>(294,229)</u>	2,881,261

Long-term liabilities, including notes payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Accrued Interest Payable	(9,247)	
Notes Payable	(2,542,210)	
Other Post-Employment Benefits Payable	(3,010,297)	
Compensated Absences	<u>(161,375)</u>	<u>(5,723,129)</u>

Total Net Position - Governmental Activities	\$(12,562,328)
--	----------------

See Accompanying Notes

Clairton City School District
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2018

Exhibit 5

	General Fund	Nonmajor Funds	Total Governmental Funds
Revenues			
Local Sources	\$ 3,583,045	\$ 67	\$ 3,583,112
State Sources	11,316,876	-	11,316,876
Federal Sources	<u>850,318</u>	<u>-</u>	<u>850,318</u>
Total Revenues	<u>15,750,239</u>	<u>67</u>	<u>15,750,306</u>
Expenditures			
Instruction	10,624,446	-	10,624,446
Support Services	4,734,287	20	4,734,307
Noninstructional Services	398,820	-	398,820
Capital Outlay	20,786	-	20,786
Debt Service	284,279	-	284,279
Refunds of Prior Year's Receipts	<u>1,024</u>	<u>-</u>	<u>1,024</u>
Total Expenditures	<u>16,063,642</u>	<u>20</u>	<u>16,063,662</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(313,403)</u>	<u>47</u>	<u>(313,356)</u>
Other Financing Sources			
Sale/Compensation of Capital Assets	<u>12,000</u>	<u>-</u>	<u>12,000</u>
Net Changes in Fund Balances	(301,403)	47	(301,356)
Fund Balances - July 1, 2017	<u>1,047,971</u>	<u>52,580</u>	<u>1,100,551</u>
Fund Balances - June 30, 2018	<u>\$ 746,568</u>	<u>\$52,627</u>	<u>\$ 799,195</u>

See Accompanying Notes

**Clairton City School District
Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures
and Changes in Fund Balances
to the Statement of Activities
Year Ended June 30, 2018**

Exhibit 6

Total Net Change in Fund Balances - Governmental Funds	\$ (301,356)
--	--------------

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

Capital outlays are reported in governmental funds 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 exceeds depreciation in the period.

Depreciation Expense	\$ (528,500)	
Capital Outlays	<u>(12,000)</u>	(540,500)

Because some property taxes will not be collected for several months after the School District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred tax revenues increased by this amount this year.	222,060
---	---------

Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	173,513
--	---------

Note proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balances. In the government-wide financial statements, however issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities. The proceeds were:

In the statement of activities, certain operating expenses - compensated absences (sick pay and vacations) and other post-employment benefits (OPEB) - are measured by the amounts earned during the year. In governmental funds, however, expenditures for the items are measured by the amount of financial resources used (essentially, the amounts actually paid).

Compensated Absences	44,875	
Other Post-Employment Benefits	<u>155,201</u>	200,076

**Clairton City School District
Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures
and Changes in Fund Balances
to the Statement of Activities
Year Ended June 30, 2018**

Exhibit 6

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues regardless of when it is due.

Net Change in Accrued Interest on Bonds	\$	352
---	----	-----

Governmental funds report School District pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned is reported as pension expense.

School District Pension Contributions to PSERS	\$ 1,877,556	
Cost of Benefits Earned	<u>(2,317,482)</u>	<u>(439,926)</u>

Change in Net Position of Governmental Activities	\$	<u><u>(685,781)</u></u>
---	----	-------------------------

See Accompanying Notes

Clairton City School District
Statement of Net Position
Proprietary Funds
June 30, 2018

Exhibit 7

	Food Service Fund
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 19,438
Due from Other Governments	111,727
Inventories	25,255
Prepaid Items	<u>69,742</u>
Total Current Assets	<u>226,162</u>
Noncurrent Assets	
Furniture and Equipment, Net	<u>68,970</u>
TOTAL ASSETS	<u>295,132</u>
LIABILITIES	
Due to Other Funds	26,256
Accounts Payable	23,226
Unearned Revenues	<u>18,936</u>
TOTAL LIABILITIES	<u>68,418</u>
NET POSITION	
Net Investment in Capital Assets	68,970
Unrestricted	<u>157,744</u>
TOTAL NET POSITION	<u>\$226,714</u>

See Accompanying Notes

Clairton City School District
Statement of Revenues, Expenses and Changes
in Net Position
Proprietary Funds
Year Ended June 30, 2018

Exhibit 8

	Food Service Fund
Operating Revenues	
Food Service Revenue	\$ <u>101,553</u>
Operating Expenses	
Purchased Property Services	14,978
Other Purchased Services	618,344
Supplies	2,185
Depreciation	11,813
Dues and Fees	65
Other Operating Expenditures	<u>276</u>
Total Operating Expenses	<u>647,661</u>
Operating Income (Loss)	(546,108)
Nonoperating Revenues (Expenses)	
Earnings on Investments	122
State Sources	18,704
Federal Sources	<u>508,586</u>
Total Nonoperating Revenues (Expenses)	<u>527,412</u>
Change in Net Position	(18,696)
Net Position - July 1, 2017	<u>245,410</u>
Net Position - June 30, 2018	\$ <u>226,714</u>

See Accompanying Notes

Clairton City School District
Statement of Cash Flows
Proprietary Fund Types
Year Ended June 30, 2018

Exhibit 9

	Food Service Fund
Cash Flows from Operating Activities	
Cash Received from Users	\$ 101,553
Cash Payments to Suppliers for Goods and Services	(622,224)
Cash Payments for Other Operating Expenses	<u>(341)</u>
Net Cash Used for Operating Activities	<u>(521,012)</u>
Cash Flows from Non-Capital Financing Activities	
State Sources	14,324
Federal Sources	<u>372,697</u>
Net Cash Provided by Non-Capital Financing Activities	<u>387,021</u>
Cash Flows from Capital and Related Financing Activities	
Facilities, Acquisition/Const./Imp. Services	<u>(1,644)</u>
Cash Flows from Investing Activities	
Earnings on Investments	<u>122</u>
Net Decrease in Cash and Cash Flows	(135,513)
Cash and Cash Equivalents - July 1, 2017	<u>154,951</u>
Cash and Cash Equivalents - June 30, 2018	\$ <u><u>19,438</u></u>

Clairton City School District
Statement of Cash Flows
Proprietary Fund Types
Year Ended June 30, 2018

Exhibit 9

	Food Service Fund
Operating Income (Loss)	\$(546,108)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used for Operating Activities	
Depreciation	11,813
Donated Commodities	31,521
(Increase) Decrease in Inventories	(14,121)
(Increase) Decrease in Prepaid Items	1,612
Increase (Decrease) in Accounts Payable	(2,180)
Increase (Decrease) in Advances from Other Funds	(17,111)
Increase (Decrease) in Unearned Revenue	<u>13,562</u>
Total Adjustments	<u>25,096</u>
Cash Used for Operating Activities	\$(521,012)
Noncash Non-Capital Financing Activities	
During the year ended June 30, 2018, the School District received \$45,083 of U. S. D. A. Donated Commodities in the food service fund.	

See Accompanying Notes

Clairton City School District
Statement of Net Position
Fiduciary Funds
June 30, 2018

Exhibit 10

	Agency Fund
ASSETS	
Cash and Cash Equivalents	<u>\$4,045</u>
LIABILITIES	
Other Current Liabilities	<u>4,045</u>
NET POSITION	<u>\$ -</u>

See Accompanying Notes

Clairton City School District
Notes to Financial Statements
June 30, 2018

Note 1 - Summary of Significant Accounting Policies

Clairton City School District, located in Allegheny County, Pennsylvania, provides public education, kindergarten through twelfth grade, to the residents of the City of Clairton. The School District operates under a nine-person elected Board of Directors.

A. Basic Financial Statements - Government-Wide Statements

The School District's basic financial statements include both government-wide (reporting the School District as a whole) and fund financial statements (reporting the School District's major funds). The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of Clairton City School District. *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. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. In the government-wide statement of net position, governmental activities are represented on a consolidated basis by column.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

B. Basic Financial Statements - Fund Financial Statements

Fund financial statements of the School District are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into three categories: governmental; proprietary; and fiduciary.

The emphasis in fund financial statements is on the major funds in the governmental category. Nonmajor funds are summarized in a single column. The nonmajor funds are combined in a column in the fund financial statements.

Clairton City School District
Notes to Financial Statements
June 30, 2018

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

B. Basic Financial Statements - Fund Financial Statements (Cont'd)

1. Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and change in financial position (sources, uses, and balances of financial resources) rather than upon net income. The School District reports this major governmental fund and fund type:

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

The School District also reports as nonmajor governmental funds the following:

The *capital reserve fund*, a capital projects fund, accounts for the resources accumulated from surplus monies in the general fund which is to be used for capital improvements.

The activities reported in these funds are reported as governmental activities in the government-wide financial statements.

2. Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The School District reports the following proprietary fund type:

Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenues. The activities reported in these funds are reported as business-type activities in the government-wide financial statements. The *food service fund* accounts for the revenues, food purchases and other costs and expenses for providing meals to students and/or faculty during the school year.

3. Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and are therefore not available to support School District programs. The reporting focus is on net position and changes in net position. The School District's fiduciary funds are presented in the fiduciary fund financial statements by type (pension, private purpose, or agency). The School District reports the following fiduciary fund type:

The *agency fund* represents the School District's student activity funds. These funds account for student activities in the high school and middle school.

Clairton City School District
Notes to Financial Statements
June 30, 2018

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

B. Basic Financial Statements - Fund Financial Statements (Cont'd)

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e. the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are 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. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Clairton City School District
Notes to Financial Statements
June 30, 2018

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

C. Measurement Focus and Basis of Accounting (Cont'd)

Property taxes, intergovernmental revenues, interest, rent and certain miscellaneous income associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measureable and available only when cash is received by the government.

The proprietary fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

D. Joint Ventures

The School District is one of ten member school districts of the Steel Center Area Vocational-Technical School ("Steel Center"). Steel Center provides vocational-technical training and education to participating students of the member districts. Steel Center is controlled and governed by the Joint Board, which is composed of all the school board members of all the member districts. Direct oversight of Steel Center's operations is the responsibility of the Joint Committee, which consists of one representative from each participating school district. No member of the Jointure exercises specific control over the fiscal policies or operations of Steel Center. The School District's share of annual administrating, operating and capital costs for Steel Center fluctuates, based on the percentage of enrollment of each member district in school. The School District's financial obligation to Steel Center for the year ended June 30, 2018 was \$244,935 which has been reported in the School District's general fund. The School District has no equity interest in Steel Center as of June 30, 2018. Complete financial statements for Steel Center can be obtained from the administrative offices at 545 Lewis Run Road, Jefferson Hills, PA 15025.

E. Cash and Cash Equivalents

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

Clairton City School District
Notes to Financial Statements
June 30, 2018

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

F. Investments

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

G. Budgets

The School Board approves, prior to the beginning of each year, an annual budget on the modified accrual basis of accounting for the general fund. This is the only fund for which a budget is required and for which taxes may be levied. The general fund is the only fund that has an annual budget that has been legally adopted by the School Board. The Public School Code allows the School Board to authorize budget transfer amendments during the year, but only during the last nine months of the fiscal year. The School Board may approve budget transfers throughout the school year. There were no supplemental budgetary appropriations made during the year ended June 30, 2018.

The final budget data reflected in the financial statements includes the effect of approved budget transfer amendments and, for comparative purposes, the actual amounts have also been presented. The School District expenditures may not legally exceed the revised budget amounts by function. Function is defined as a program area such as instructional services. Management may amend the budget without seeking prior approval of the Board within a function. Amendments between functions require prior Board approval. Excess of expenditures over appropriations in the general fund is presented in the required supplementary information section.

H. Receivables and Payables

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

I. Inventories

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

Clairton City School District
Notes to Financial Statements
June 30, 2018

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

I. Inventories (Cont'd)

Inventories in governmental funds are stated at cost by the first-in, first-out method. The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, an estimated value of inventories is reported as an asset in the general fund, if considered material. There was no material inventory balance as of June 30, 2018.

The inventory of the food service fund consists of food supplies and government donated commodities which were valued at estimated fair market value, and purchased commodities and supplies, both valued at cost using the first-in, first-out (FIFO) method. Any unused commodities donated by the federal government at June 30, 2018 are reported as unavailable revenue.

J. Prepaid Items

In both the government-wide and fund financial statements, certain payments to vendors reflect costs applicable to future accounting periods are recorded as prepaid items. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

K. Capital Assets

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

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

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

All reported capital assets are depreciated using the straight-line method over the following estimated useful lives:

Clairton City School District
Notes to Financial Statements
June 30, 2018

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

K. Capital Assets (Cont'd)

Assets	Years
Buildings	50
Building Improvements	20-50
Land Improvements	20
Furniture	5-10
Vehicles	10
Equipment	5-10
Computer Equipment	5

Proprietary fund equipment purchases are capitalized in the proprietary fund at cost and depreciated on a straight-line basis over 5 to 12 years.

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The School District has two items that qualify for reporting in this category, and one reported in the government-wide statement of net position which is related to the participation in the cost sharing defined benefit pension plan and OPEB plan. The School District reports no deferred outflows of resources in the fund financial statements.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The School District has only one type of item, which arises only under the modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. The School District has two items reported in the government-wide statement of net position relating to the cost sharing defined benefit pension plan and OPEB plan. These amounts are deferred and recognized as inflows of resources in the period that the amount becomes available.

M. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net position. Bond premium and discount are reported as deferred charges and amortized over the term of the related debt.

Clairton City School District
Notes to Financial Statements
June 30, 2018

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

M. Long-Term Obligations (Cont'd)

In the fund financial statements, governmental fund types recognize bond premium and discount during the current period. The face amount of debt issued is reported as other financing sources while discount on debt issuances are reported as other financing uses.

N. Compensated Absences

The School District's policies regarding vacation and sick time are provided through various contracts. Employees can accumulate sick and/or vacation days which they are paid for upon retirement or termination of service. The amount the employee is compensated and the number of days varies based on their contract and their years of service. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the amount of reimbursable unused vacation or sick leave to employees who have terminated their employment as of the end of the fiscal year, while the proprietary funds report the liability as it is incurred.

O. Defining Operating Revenues and Expenses

The School District's proprietary funds distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses of the School District's food service fund consist of charges for meals and the costs of providing those services, including depreciation and excluding interest cost. All other revenues and expenses are reported as nonoperating.

P. Equity Classifications

Government-Wide Statements

Equity is classified as net position and displayed in three components:

Net investment in capital assets - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.

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

Unrestricted net position - all other net position that does not meet the definition of "restricted" or "net investment in capital assets".

Clairton City School District
Notes to Financial Statements
June 30, 2018

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

P. Equity Classifications (Cont'd)

Fund Statements - Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, fund balance reporting and governmental fund type definitions, the School District classifies governmental fund balances as follows:

Nonspendable - amounts that cannot be spent because they are either (1) not in a spendable form or (2) legally or contractually required to remain intact.

Restricted - the part of fund balance that is restricted to be spent for a specific purpose. The constraints on these amounts must be externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or by enabling legislation. Enabling legislation authorizes the government to assess, levy, change or mandate payments and includes a legally enforceable requirement on the use of these funds.

Committed - the portion of fund balance that can only be used for specific purposes as a result of formal action, approval of a motion by the majority of the School Board. Once the item is committed, it cannot be used for any other purpose unless changed by the same procedures used to initially commit the money.

Assigned - reflects the School District's intent to use the money for a specific purpose but is not considered restricted or committed. The assignment of fund balance can be assigned by management in the business office.

Unassigned - represents the part of spendable fund balance that has not been categorized as restricted, committed or assigned. The general fund is the only fund permitted to have a positive unassigned fund balance.

The School District's policy is that it considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. It also considers committed amounts to be spent first when an expenditure is incurred for purposes for which both committed and unassigned fund balance could be used.

The committed fund balance of \$52,627 in the capital projects fund is for future capital improvements.

Clairton City School District
Notes to Financial Statements
June 30, 2018

Note 2 - Restatement of Beginning Net Position, Governmental Activities

Clairton City School District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions* as of July 1, 2017. Beginning net position of the governmental activities in the government-wide statements was restated as of July 1, 2017. The result of the effects of applying this new statement is summarized below:

Net Position, July 1, 2017 (Previously Reported)		\$(8,891,035)
OPEB Balance at July 1, 2017 Under GASB 75	\$(3,150,925)	
Amount Previously Reported Under GASB 45	<u>165,413</u>	<u>(2,985,512)</u>
Restated Net Position, July 1, 2017		<u><u>\$(11,876,547)</u></u>

Note 3 - Deposits and Investments

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

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in an event of a bank failure, the government's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. Deposits in excess of amounts covered by the Federal Deposit Insurance Corporation are collateralized in accordance with Act 72 of 1971 of the Pennsylvania State Legislature which requires the institution to pool collateral for all governments and have the collateral held by an approved custodian in the institution's name. As of June 30, 2018, \$1,720,062 of the School District's bank balance of \$2,220,062 was exposed to custodial credit risk as follows:

Uninsured and Collateral Held by Pledging Bank's Agent not in the School District's Name	<u><u>\$1,720,062</u></u>
---	---------------------------

As of June 30, 2018, the School District had the following investments:

Investments	Fair Value
PSDLAF	\$ 930
PLGIT	<u>115,555</u>
	<u><u>\$116,485</u></u>

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

Clairton City School District
Notes to Financial Statements
June 30, 2018

Note 3 - Deposits and Investments (Cont'd)

Custodial Credit Risk - Deposits (Cont'd)

Credit Risks - The Pennsylvania Public School Code authorizes the types of investments allowed. These are described in Note 1F. The School District has no investment policy that would further limit its investment choices. The School District's investments in the Pennsylvania School District Liquid Asset Fund (PSDLAF) and the Pennsylvania Local Government Investment Trust (PLGIT) were rated AAAM by Standard & Poor's.

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

Investments

The Pennsylvania School District Liquid Asset Fund (PSDLAF) and the Pennsylvania Local Government Investment Trust (PLGIT) were established as common law trusts, organized under laws of the Commonwealth of Pennsylvania. Shares of the funds are offered to certain Pennsylvania school districts, intermediate units, area vocational-technical schools and municipalities. The purpose of the funds is to enable such governmental units to pool their available funds for investments authorized by Section 440.1 of the Pennsylvania Public School Code of 1949, as amended.

PSDLAF and PLGIT are governed by an elected board of trustees who are responsible for the overall management of the funds. The trustees are elected from the several classes of local governments participating in the funds. The funds are audited annually by independent auditors. PSDLAF and PLGIT are local government investment pools and are exempt from the requirement of SEC's Rule 2(a)7 of the Investment Company Act of 1940. The funds measure for financial reporting purposes its assets at amortized cost and maintain a stable net asset value of \$1 per share. Accordingly, the fair value of the position in PSDLAF and PLGIT is the same as the value of PSDLAF and PLGIT shares. There are no limitations or restrictions on withdrawals.

Fair Value of Investments

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The School District had no investments that required disclosure as of June 30, 2018 under this hierarchy.

Note 4 - Real Estate Taxes

The municipal tax collectors bill and collect real estate taxes on behalf of the School District based upon assessed values provided by the County. The School District's tax rate for all purposes in 2017/2018 was 77.85 mills on land (\$77.85 per \$1,000 assessed valuation) and 7.266 mills on buildings (\$7.27 per \$1,000 assessed valuation). The tax calendar for real estate taxes levied for 2017/2018 is as follows:

Tax Levy Date	July 1, 2017
2% Discount Period	Through August 31, 2017
Face Payment Period	September 1 - October 31, 2017
10% Penalty Period	November 1 Until Liened
Lien Filing Date	January 15, 2018

Clairton City School District
Notes to Financial Statements
June 30, 2018

Note 4 - Real Estate Taxes (Cont'd)

The amounts shown as delinquent real estate taxes receivable have not been recorded as revenue on the fund statements. These taxes are, however, recorded as unavailable revenue on the balance sheet until they are received. The amounts reported for this receivable are reported on the balance sheet in the amount of \$4,177,617, along with other taxes receivable of \$89,061.

Note 5 - Due from Other Governments

Amounts due from other governments represent receivables for revenues earned by the School District. At June 30, 2018, the following amounts are due from other governmental units:

	Governmental Funds	Enterprise Fund	Totals
Federal (through the state)	\$262,310	\$107,347	\$369,657
State	<u>518,144</u>	<u>4,380</u>	<u>522,524</u>
	<u>\$780,454</u>	<u>\$111,727</u>	<u>\$892,181</u>

Note 6 - Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

	Balance 07/01/17	Additions	Deletions	Balance 06/30/18
Governmental Activities				
Capital Assets not Being Depreciated				
Land	<u>\$ 495,122</u>	<u>\$ -</u>	<u>\$12,000</u>	<u>\$ 483,122</u>
Capital Assets Being Depreciated				
Land Improvements	729,380	-	-	729,380
Buildings and Building Improvements	15,821,812	-	-	15,821,812
Furniture and Equipment	<u>1,730,286</u>	<u>-</u>	<u>-</u>	<u>1,730,286</u>
Total Capital Assets Being Depreciated	<u>18,281,478</u>	<u>-</u>	<u>-</u>	<u>18,281,478</u>
Less Accumulated Depreciation				
Land Improvements	680,084	30,564	-	710,648
Buildings and Building Improvements	8,275,387	438,468	-	8,713,855
Furniture and Equipment	<u>1,555,901</u>	<u>59,468</u>	<u>-</u>	<u>1,615,369</u>
Total Accumulated Depreciation	<u>10,511,372</u>	<u>528,500</u>	<u>-</u>	<u>11,039,872</u>

Clairton City School District
Notes to Financial Statements
June 30, 2018

Note 6 - Capital Assets (Cont'd)

	Balance 07/01/17	Additions	Deletions	Balance 06/30/18
Governmental Activities (Cont'd)				
Total Capital Assets Being Depreciated, Net	\$ <u>7,770,106</u>	\$ <u>(528,500)</u>	\$ <u>-</u>	\$ <u>7,241,606</u>
Governmental Activities Capital Assets, Net	\$ <u>8,265,228</u>	\$ <u>(528,500)</u>	\$ <u>12,000</u>	\$ <u>7,724,728</u>
Business-Type Activities				
Furniture and Equipment	\$ 491,053	\$ 1,644	\$ -	\$ 492,697
Less Accumulated Depreciation	<u>411,914</u>	<u>11,813</u>	<u>-</u>	<u>423,727</u>
Business-Type Capital Assets, Net	\$ <u>79,139</u>	\$ <u>(10,169)</u>	\$ <u>-</u>	\$ <u>68,970</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities	
Instruction	\$ 487,614
Instructional Student Support	30,640
Operation and Maintenance of Plant Services	2,944
Pupil Transportation	6,179
Student Activities	<u>1,123</u>
Total Depreciation Expense	\$ <u>528,500</u>
Business-Type Activities	
Food Service	\$ <u>11,813</u>

Note 7 - Interfund Balances

Interfund balances at June 30, 2018 were:

	Interfund Receivable	Interfund Payable
General Fund	\$26,256	\$ -
Proprietary Fund		
Food Service Fund	<u>-</u>	<u>26,256</u>
	<u>\$26,256</u>	<u>\$26,256</u>

Balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All the balances above are expected to be collected in the subsequent year.

Clairton City School District
Notes to Financial Statements
June 30, 2018

Note 8 - Long-Term Debt

The following are changes in the long-term liabilities for the year ended June 30, 2018:

	Balance 07/01/17	Additions	Retirements	Balance 06/30/18	Due Within One Year
Governmental Activities					
General Obligation Notes	\$2,715,723	\$ -	\$173,513	\$2,542,210	\$ 150,695
Compensated Absences	<u>206,250</u>	<u>-</u>	<u>44,875</u>	<u>161,375</u>	<u>32,275</u>
	<u>\$2,921,973</u>	<u>\$ -</u>	<u>\$218,388</u>	<u>\$2,703,585</u>	<u>\$ 182,970</u>

The debt service source for the above debt is the general fund.

Note payable to a bank, monthly payments of \$7,639,
including interest at 4.48 % per annum, with payments
through September 2025

\$ 566,953

Note payable to a bank, monthly payments of \$3,498,
including interest at 1.91 % per annum, with payments
through October 2018

12,759

General obligation notes, Series of 2017, yearly
payments of \$150,630, including interest at 4.10 %
per annum, with payments through May 2037

1,962,498

\$2,542,210

The annual requirements of School District funds to amortize all debt outstanding (excluding compensated absences) as of June 30, 2018, including interest, are as follows:

Year Ended June 30,	General Obligation Notes		Totals
	Principal	Interest	
2019	\$ 150,695	\$ 104,418	\$ 255,113
2020	140,908	98,398	239,306
2021	150,140	92,167	242,307
2022	156,642	85,665	242,307
2023	163,426	78,881	242,307
2024-2028	665,245	297,515	962,760
2029-2033	569,603	183,548	753,151
2034-2037	<u>545,551</u>	<u>56,971</u>	<u>602,522</u>
	<u>\$2,542,210</u>	<u>\$ 997,563</u>	<u>\$3,539,773</u>

Clairton City School District
Notes to Financial Statements
June 30, 2018

Note 9 - Short-Term Debt - Tax Anticipation Notes

The School District issues tax anticipation notes in advance of property tax collections, depositing the proceeds in its general fund. These notes are necessary because the School District's payments for operating and debt expenditures are made beginning July 1, whereas tax collections are normally received starting in August.

Short-term debt activity for the year ended June 30, 2018 is as follows:

	Balance 07/01/17	Issued	Redeemed	Balance 06/30/18
Tax Anticipation Notes	\$ <u> - </u>	\$ <u>2,000,000</u>	\$ <u>2,000,000</u>	\$ <u> - </u>

Note 10 - Operating Leases

The School District is committed under various leases for photocopiers and other equipment. These leases are considered, for accounting purposes, to be operating leases. Total payments made on these leases for the year ended June 30, 2018 were \$77,374. Future minimum payments for these leases are as follows:

Year Ended June 30,	Amount
2019	\$25,734
2020	8,520
2021	<u>1,420</u>
	<u>\$35,674</u>

Note 11 - Public School Employees' Retirement System (PSERS)

A. Summary of Significant Accounting Policies

Pensions

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

Clairton City School District
Notes to Financial Statements
June 30, 2018

Note 11 - Public School Employees' Retirement System (PSERS) (Cont'd)

B. General Information about the Pension Plan

1. Plan Description

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

2. Benefits Provided

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

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

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

Clairton City School District
Notes to Financial Statements
June 30, 2018

Note 11 - Public School Employees' Retirement System (PSERS) (Cont'd)

B. General Information about the Pension Plan (Cont'd)

3. Contributions

Member Contributions

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

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

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

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

Employer Contributions

The School District's contractually required contribution rate for fiscal year ended June 30, 2018 was 31.74 % of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School District were \$1,877,556 for the year ended June 30, 2018.

C. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the School District reported a liability of \$22,422,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2016 to June 30, 2017. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2018, the School District's proportion was 0.0454 %, which was a decrease of 0.0004 % from its proportion measured as of June 30, 2017.

Clairton City School District
Notes to Financial Statements
June 30, 2018

Note 11 - Public School Employees' Retirement System (PSERS) (Cont'd)

C. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

For the year ended June 30, 2018, the School District recognized pension expense of \$2,317,482. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 234,000	\$135,000
Changes in assumptions	609,000	-
Net difference between projected and actual investment earnings	520,000	-
Changes in proportions	209,000	485,000
Difference between employer contributions and proportionate share of total contributions	37,132	-
Contributions subsequent to the measurement date	<u>1,877,556</u>	<u>-</u>
	<u>\$3,486,688</u>	<u>\$620,000</u>

\$1,877,556 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2019	\$ 296,482
2020	548,096
2021	251,685
2022	<u>(107,131)</u>
	<u>\$ 989,132</u>

Clairton City School District
Notes to Financial Statements
June 30, 2018

Note 11 - Public School Employees' Retirement System (PSERS) (Cont'd)

C. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

1. Actuarial Assumptions

The total pension liability as of June 30, 2017 was determined by rolling forward the System's total pension liability at June 30, 2016 to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 7.25 %, includes inflation at 2.75 %.
- Salary growth - Effective average of 5.00 %, comprised of inflation of 2.75 % and 2.25 % for real wage growth and for merit or seniority increases.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	20.0%	5.1%
Fixed income	36.0%	2.6%
Commodities	8.0%	3.0%
Absolute return	10.0%	3.4%
Risk parity	10.0%	3.8%
Infrastructure/MLPs	8.0%	4.8%
Real estate	10.0%	3.6%
Alternate investments	15.0%	6.2%
Cash	3.0%	0.6%
Financing (LIBOR)	(20.0)%	1.1%
	<u>100%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2017.

Clairton City School District
Notes to Financial Statements
June 30, 2018

Note 11 - Public School Employees' Retirement System (PSERS) (Cont'd)

C. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

2. Discount Rate

The discount rate used to measure the total pension liability was 7.25 %. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

3. Sensitivity of School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability, calculated using the discount rate of 7.25 %, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.25 %) or 1 percentage point higher (8.25 %) than the current rate:

	(In thousands)		
	1.00 % Decrease 6.25 %	Current Discount Rate 7.25 %	1.00 % Increase 8.25 %
School District's proportionate share of the net pension liability	\$27,600	\$22,422	\$18,051

4. Pension Plan Fiduciary Net Position

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System's website at www.psers.pa.gov.

Note 12 - Contingent Liabilities

Clairton City School District participates in a number of federally assisted grant programs, principal of which are Title I and National School Lunch Program. The programs are subject to program compliance audits by the grantors or their representatives. The audits of some of these programs for and including the year ended June 30, 2018 have not yet been conducted. Accordingly, the School District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the School District expects such amounts, if any, to be immaterial.

Clairton City School District
Notes to Financial Statements
June 30, 2018

Note 13 - Other Post-Employment Benefit Plan

A. Plan Description

Clairton City School District administers a single-employer defined benefit healthcare plan ("the Supplemental Health Plan"). The plan provides medical, dental, vision, and life benefits for the employees who meet the eligibility requirements upon retirement. Teachers and administrators are referred to as professional employees (PEs). The benefits provided are for the eligible retirees and their spouses through the School District group health insurance plan which covers both active and retired members. Benefit provisions are mostly established through negotiations between the School District and union or group representing the employees. The plan does not issue a publicly available financial report.

B. Funding Policy

The eligibility and the benefits for each group are as follows:

- 1) The School District provides post-employment medical and dental insurance benefits to professional employees who retired under early retirement incentive programs. The most previous program, which expired June 30, 2010, will pay for benefits for ten years from the date of retirement or until the retiree is eligible for benefits from another employer. The premiums are paid in full without co-payments. There are twenty-one retirees under this program. The prior programs provided for benefits until eligible for Medicare or until the retiree is eligible for benefits from another employer. The School District receives a co-payment based on the premium at the time of retirement and the retiree pays a co-payment based on the difference of the current premium. There are seven retirees under this program. The current program provides coverage at no cost until the retired employee reaches Medicare age. Four employees participated in this plan.

Employees Covered by Benefit Terms

At July 1, 2017, the following employees were covered by the benefits terms:

Inactive employees or beneficiaries currently receiving benefit payments	18
Active employees	<u>81</u>
	<u>99</u>

C. Total OPEB Liability

The School District's total OPEB liability of \$2,085,297 was measured as of July 1, 2017, and was determined by an actuarial valuation as of that date.

Clairton City School District
Notes to Financial Statements
June 30, 2018

Note 13 - Other Post-Employment Benefit Plan (Cont'd)

D. Actuarial Methods and Assumptions

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00%
Salary Increases	2.50%
Discount Rate	3.87%
Healthcare Cost Trend Rates	6.75% for 2017/2018, decreasing 0.25% per year to an ultimate rate of 4.50%

The discount rate was based on the Bond Buyers 20-Bond Index.

Mortality rates were based on the RPH-2014 Total Dataset Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale MP-2016.

The actuarial assumptions used in the July 1, 2017 valuation were selected using input from the School District based upon actual experience.

E. Change in the Total OPEB Liability

Balance at June 30, 2017	\$2,163,925
Changes for the Year:	
Service Cost	101,173
Interest	64,918
Differences between expected and actual experience	(262,460)
Changes of assumptions or other inputs	278,604
Benefit payments	<u>(260,863)</u>
Net Changes	<u>(78,628)</u>
Balance at June 30, 2018	<u><u>\$2,085,297</u></u>

Clairton City School District
Notes to Financial Statements
June 30, 2018

Note 13 - Other Post-Employment Benefit Plan (Cont'd)

F. Changes of Assumptions and Other Inputs

- Changed the discount rate from 3.00% to 3.87%.

G. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following is the total OPEB liability to the School District, as well as the total OPEB liability using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current discount rate:

	1 % Decrease (2.87 %)	Discount Rate (3.87 %)	1 % Increase (4.87 %)
Total OPEB Liability	\$2,194,864	\$2,085,297	\$1,951,937

H. Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following is the total OPEB liability to the School District, as well as the total OPEB liability using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates:

	1 % Decrease	Discount Rate	1 % Increase
Total OPEB Liability	\$1,848,943	\$2,085,297	\$2,774,627

I. Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$243,713
Changes of assumptions	<u>258,704</u>	<u>-</u>
	<u>\$258,704</u>	<u>\$243,713</u>

Clairton City School District
Notes to Financial Statements
June 30, 2018

Note 13 - Other Post-Employment Benefit Plan (Cont'd)

I. Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Cont'd)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Amount
2019	\$ 1,153
2020	1,153
2021	1,153
2022	1,153
2023	1,153
2024 and thereafter	<u>9,226</u>
	<u>\$14,991</u>

Note 14 - Other Post-Employment Benefits - PSERS

A. Summary of Significant Accounting Policies

Other Post-Employment Benefits

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

B. General Information about the Health Insurance Premium Assistance Program

1. Health Insurance Premium Assistance Program

The System provides Premium Assistance which is a governmental cost sharing, multiple-employer, other post-employment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2017 there were no assumed future benefit increases to participating eligible retirees.

Clairton City School District
Notes to Financial Statements
June 30, 2018

Note 14 - Other Post-Employment Benefits - PSERS (Cont'd)

B. General Information about the Health Insurance Premium Assistance Program (Cont'd)

2. Premium Assistance Eligibility Criteria

Retirees of the System can participate in the Premium Assistance program if they satisfy the following criteria:

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program

3. Pension Plan Description

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

4. Benefits Provided

PSERS participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2017, there were no assumed future benefit increases to participating eligible retirees.

5. Employer Contributions

The School District's contractually required contribution rate for fiscal year ended June 30, 2017 was 0.83% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the School District were \$49,395 for the year ended June 30, 2017.

C. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the School District reported a liability of \$925,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2016 to June 30, 2017. The School District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2018, the School District's proportion was 0.0454%, which was a decrease of 0.0004% from its proportion measured as of June 30, 2017.

Clairton City School District
Notes to Financial Statements
June 30, 2018

Note 14 - Other Post-Employment Benefits - PSERS (Cont'd)

C. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Cont'd)

For the year ended June 30, 2018, the School District recognized OPEB expense of \$61,582. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ -	\$43,000
Net difference between projected and actual investment earnings	1,000	-
Changes in proportions	-	7,000
Difference between employer contributions and proportionate share of total contributions	-	516
Contributions subsequent to the measurement date	<u>49,098</u>	<u>-</u>
	<u>\$50,098</u>	<u>\$50,516</u>

\$49,098 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	
2019	\$(8,129)
2020	(8,129)
2021	(8,129)
2022	(8,129)
2023	(8,000)
Thereafter	<u>(9,000)</u>
	<u>\$(49,516)</u>

Clairton City School District
Notes to Financial Statements
June 30, 2018

Note 14 - Other Post-Employment Benefits - PSERS (Cont'd)

C. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Cont'd)

1. Actuarial Assumptions

The total OPEB liability as of June 30, 2017 was determined by rolling forward the System's total OPEB liability at June 30, 2016 to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 3.13 %, S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 5.00 %, comprised of inflation of 2.75 % and 2.25 % for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate pre age 65 at 50%.
 - Eligible retirees will elect to participate post age 65 at 70%.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2015 determined the employer contribution rate for fiscal year 2017.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63 % of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25 % males and 75 % females is used to determine actuarial equivalent benefits.)

Investments consist primarily of short term assets designed to protect the principal of the plan assets. The expected rate of return on OPEB plan investments was determined using the OPEB asset allocation policy and best estimates of geometric real rates of return for each asset class.

Clairton City School District
Notes to Financial Statements
June 30, 2018

Note 14 - Other Post-Employment Benefits - PSERS (Cont'd)

C. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Cont'd)

1. Actuarial Assumptions (Cont'd)

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the program, as defined in the retirement code employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	76.4 %	0.6 %
Fixed income	<u>23.6 %</u>	1.5 %
	<u>100 %</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2017.

2. Discount Rate

The discount rate used to measure the Total OPEB Liability was 3.13 %. Under the plan's funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 3.13 % which represents the S&P 20 year Municipal Bond Rate at June 30, 2017, was applied to all projected benefit payments to measure the total OPEB liability.

3. Sensitivity of System Net OPEB Liability to Change in the Healthcare Cost Trend Rates

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2017, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2016, 91,797 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2016, 1,354 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

Clairton City School District
Notes to Financial Statements
June 30, 2018

Note 14 - Other Post-Employment Benefits - PSERS (Cont'd)

C. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Cont'd)

3. Sensitivity of System Net OPEB Liability to Change in the Healthcare Cost Trend Rates (Cont'd)

The following presents the System net OPEB liability, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if its health cost trends were 1 percentage point lower or 1 percentage point higher than the current rate:

	(In thousands)		
	1.00% Decrease	Current Discount Rate	1.00% Increase
System net OPEB liability	\$925	\$925	\$925

4. Sensitivity of School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability, calculated using the discount rate of 3.13%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.13%) or 1 percentage point higher (4.13%) than the current rate:

	(In thousands)		
	1.00% Decrease 2.13%	Current Discount Rate 3.13%	1.00% Increase 4.13%
School District's proportionate share of the net OPEB liability	\$1,051	\$925	\$820

5. OPEB Plan Fiduciary Net Position

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System's website at www.psers.pa.gov.

Note 15 - Risk Management

The School District is one of forty-six members of the Allegheny County Schools Health Insurance Consortium (Consortium) which purchases health benefits on behalf of participating public school districts. The School District is billed monthly based on employee count and coverage information at rates established by the Consortium at the beginning of each fiscal year. As the Consortium is self-insured, rates are established with the objective of satisfying estimated claims and other costs, as well as maintaining working capital requirements. Contributions to the Consortium totaled \$1,428,845 and \$1,476,611 for the years ended June 30, 2017 and 2016, respectively.

Clairton City School District
Notes to Financial Statements
June 30, 2018

Note 15 - Risk Management (Cont'd)

Participating school districts are permitted to withdraw from the Consortium under terms specified in the agreement. Withdrawing participants are entitled to or responsible for a proportionate share of the Consortium net position or deficiency in net position, respectively, as determined on the fiscal year-end date after withdrawal. As of June 30, 2017, the net position of the Consortium was \$47,685,965 of which \$271,524 is attributable to the School District.

The School District participates in an insurance program offered by a commercial insurance company. It purchases commercial insurance policies for risks of losses for casualty, workmen's compensation and liability claims.

The School District is exposed to various risks of loss related to tort; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. These risks are covered by commercial insurance purchased from independent third parties.

Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

Note 16 - On-Behalf Payments

The amounts recognized for revenues and expenditures for on-behalf payments relating to fringe benefits for the year ended June 30, 2018 was \$1,766,129.

This includes \$1,444,909 recognized for revenues and expenditures relating to pension contributions for its employees that the Commonwealth of Pennsylvania paid to the Public School Employees' Retirement System (PSERS) for pension and \$321,220 to the federal government for social security and Medicare taxes for the year ended June 30, 2018. The School District pays these on-behalf payments directly to PSERS and the government and is reimbursed by the Commonwealth for their appropriate share.

**REQUIRED SUPPLEMENTARY
INFORMATION SECTION**

Clairton City School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
Revenues				
Local Sources				
Taxes				
Current Real Estate Taxes	\$ 2,249,267	\$ 2,249,267	\$ 2,233,824	\$ (15,443)
Public Utility Realty Taxes	5,000	5,000	3,267	(1,733)
Payments in Lieu of Current Taxes	10,000	10,000	4,461	(5,539)
Business Privilege Taxes	200,000	200,000	200,110	110
Local Services Taxes	10,000	10,000	10,131	131
Mercantile Taxes	10,000	10,000	28,368	18,368
Earned Income Taxes	475,000	475,000	386,768	(88,232)
Real Estate Transfer Taxes	20,000	20,000	18,848	(1,152)
Delinquencies on Taxes	425,000	425,000	252,512	(172,488)
Earnings on Investments	5,000	5,000	16,165	11,165
Other Local Revenues				
Federal Revenues from IUs	190,700	190,310	220,944	30,634
Contributions & Donations				
from Private Sources	10,000	10,000	10,837	837
Rentals	20,000	20,000	20,400	400
Admissions	10,000	10,000	25,954	15,954
Miscellaneous Revenue	250,000	245,000	109,874	(135,126)
Refunds of Prior Year's Expenditures	-	-	40,582	40,582
Total Revenues from Local Sources	<u>3,889,967</u>	<u>3,884,577</u>	<u>3,583,045</u>	<u>(301,532)</u>
State Sources				
Basic Instruct. & Oper. Subsidies				
Basic Instructional Subsidy	7,338,803	7,338,803	7,338,617	(186)
Tuition	-	-	33,506	33,506
Subsidies for Spec. Educ. Programs				
Special Ed. of Except. Pupils	1,102,111	1,102,111	1,118,418	16,307
Subsidies for Noneduc. Programs				
Transportation (Regular & Add'l.)	220,000	220,000	359,391	139,391
Health Services	14,000	14,000	13,377	(623)
State Property Tax Reduction	466,838	466,838	466,839	1
Social Security Payments	300,000	300,000	321,220	21,220
State Retirement Revenue	980,000	980,000	1,444,909	464,909
Ready to Learn Block Grant	<u>220,599</u>	<u>220,599</u>	<u>220,599</u>	<u>-</u>
Total Revenues from State Sources	<u>10,642,351</u>	<u>10,642,351</u>	<u>11,316,876</u>	<u>674,525</u>

Clairton City School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		Actual	Variance with
	Original	Final	(Budgetary	Final Budget
			Basis)	Positive
				(Negative)
Revenues (Cont'd)				
Federal Sources				
Restricted Grants-in-Aid from the Fed.				
Gov't. through the Commonwealth				
Title I	\$ 689,293	\$ 689,293	\$ 685,927	\$ (3,366)
Title II	66,046	66,046	66,039	(7)
Title III	975	975	-	(975)
Other Federal Grants	75,630	60,178	-	(60,178)
Title IV	-	-	15,452	15,452
Title XIX	5,000	5,000	2,900	(2,100)
Medical Assistance	<u>40,000</u>	<u>40,000</u>	<u>80,000</u>	<u>40,000</u>
Total Revenues from Federal Sources	<u>876,944</u>	<u>861,492</u>	<u>850,318</u>	<u>(11,174)</u>
Total Revenues	<u>15,409,262</u>	<u>15,388,420</u>	<u>15,750,239</u>	<u>361,819</u>
Other Financing Sources				
Sale of Capital Assets	<u>-</u>	<u>-</u>	<u>12,000</u>	<u>12,000</u>
Total Revenues and Other Financing Sources	<u>15,409,262</u>	<u>15,388,420</u>	<u>15,762,239</u>	<u>373,819</u>
Expenditures				
Instruction				
Regular Programs				
Personal Services				
Salaries	3,449,832	3,449,832	3,284,235	165,597
Employee Benefits	2,440,504	2,440,504	2,266,224	174,280
Purchased Prof. & Tech. Services	15,000	15,000	15,014	(14)
Purchased Property Services	95,000	95,000	81,419	13,581
Other Purchased Services	1,435,000	1,435,000	1,312,758	122,242
Supplies	232,600	241,300	63,373	177,927
Other Objects	<u>3,950</u>	<u>3,950</u>	<u>10,440</u>	<u>(6,490)</u>
Total Regular Programs	<u>7,671,886</u>	<u>7,680,586</u>	<u>7,033,463</u>	<u>647,123</u>
Special Programs				
Personal Services				
Salaries	1,008,712	1,008,712	1,047,492	(38,780)
Employee Benefits	657,362	657,362	619,939	37,423

Clairton City School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		Actual	Variance with
	Original	Final	(Budgetary	Final Budget
			Basis)	Positive
				(Negative)
Expenditures (Cont'd)				
Instruction (Cont'd)				
Special Programs (Cont'd)				
Purchased Prof. & Tech. Services	\$ 553,000	\$ 553,000	\$ 330,778	\$ 222,222
Other Purchased Services	520,500	520,500	1,307,400	(786,900)
Supplies	15,500	15,500	3,012	12,488
Other Objects	<u>4,500</u>	<u>4,500</u>	<u>4,040</u>	<u>460</u>
Total Special Programs	<u>2,759,574</u>	<u>2,759,574</u>	<u>3,312,661</u>	<u>(553,087)</u>
Vocational Education Programs				
Purchased Prof. & Tech. Services	3,000	3,000	-	3,000
Other Purchased Services	<u>160,000</u>	<u>160,000</u>	<u>247,335</u>	<u>(87,335)</u>
Total Vocational Education Programs	<u>163,000</u>	<u>163,000</u>	<u>247,335</u>	<u>(84,335)</u>
Other Instructional Programs				
Personal Services				
Salaries	35,000	35,000	1,000	34,000
Employee Benefits	14,078	14,078	450	13,628
Purchased Prof. & Tech. Services	30,000	30,000	14,225	15,775
Other Purchased Services	25,000	25,000	190	24,810
Supplies	<u>-</u>	<u>-</u>	<u>536</u>	<u>(536)</u>
Total Other Instructional Programs	<u>104,078</u>	<u>104,078</u>	<u>16,401</u>	<u>87,677</u>
Non-Public Schools				
Purchased Prof. & Tech. Services	<u>23,000</u>	<u>23,000</u>	<u>13,776</u>	<u>9,224</u>
Community Junior College				
Other Purchased Services	<u>-</u>	<u>-</u>	<u>810</u>	<u>(810)</u>
Total Instruction	<u>10,721,538</u>	<u>10,730,238</u>	<u>10,624,446</u>	<u>105,792</u>

Clairton City School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
Expenditures (Cont'd)				
Support Services				
Pupil Personnel				
Personal Services				
Salaries	\$ 259,864	\$ 259,864	\$ 268,982	\$ (9,118)
Employee Benefits	196,747	196,747	142,957	53,790
Purchased Prof. & Tech. Services	52,500	52,500	91,367	(38,867)
Purchased Property Services	200	200	5,569	(5,369)
Other Purchased Services	300	300	450	(150)
Supplies	2,500	2,500	12,276	(9,776)
Other Objects	<u>300</u>	<u>300</u>	<u>376</u>	<u>(76)</u>
Total Pupil Personnel	<u>512,411</u>	<u>512,411</u>	<u>521,977</u>	<u>(9,566)</u>
Instructional Staff				
Personal Services				
Salaries	255,444	255,444	262,451	(7,007)
Employee Benefits	191,446	191,446	182,154	9,292
Purchased Prof. & Tech. Services	95,532	100,532	112,553	(12,021)
Purchased Property Services	10,040	10,040	7,743	2,297
Other Purchased Services	2,680	4,432	7,019	(2,587)
Supplies	77,218	77,218	77,288	(70)
Property	29,847	29,847	15,577	14,270
Other Objects	<u>-</u>	<u>-</u>	<u>2,707</u>	<u>(2,707)</u>
Total Instructional Staff	<u>662,207</u>	<u>668,959</u>	<u>667,492</u>	<u>1,467</u>
Administration				
Personal Services				
Salaries	762,739	762,739	686,193	76,546
Employee Benefits	457,486	457,486	431,039	26,447
Purchased Prof. & Tech. Services	124,000	124,000	85,772	38,228
Purchased Property Services	5,700	5,700	1,340	4,360
Other Purchased Services	22,970	22,970	5,370	17,600
Supplies	7,100	7,100	5,359	1,741
Property	200	200	-	200
Other Objects	<u>41,100</u>	<u>41,100</u>	<u>42,005</u>	<u>(905)</u>
Total Administration	<u>1,421,295</u>	<u>1,421,295</u>	<u>1,257,078</u>	<u>164,217</u>

Clairton City School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
Expenditures (Cont'd)				
Support Services (Cont'd)				
Pupil Health				
Personal Services				
Salaries	\$ 49,993	\$ 49,993	\$ 58,262	\$ (8,269)
Employee Benefits	28,614	28,614	30,876	(2,262)
Purchased Prof. & Tech. Services	1,650	1,650	25,012	(23,362)
Purchased Property Services	250	250	60	190
Other Purchased Services	250	250	-	250
Supplies	<u>3,600</u>	<u>3,600</u>	<u>1,993</u>	<u>1,607</u>
Total Pupil Health	<u>84,357</u>	<u>84,357</u>	<u>116,203</u>	<u>(31,846)</u>
Business				
Personal Services				
Salaries	83,545	83,545	92,247	(8,702)
Employee Benefits	50,316	50,316	51,878	(1,562)
Purchased Prof. & Tech. Services	8,000	8,000	9,904	(1,904)
Purchased Property Services	4,500	4,500	8,701	(4,201)
Other Purchased Services	11,000	11,000	18,080	(7,080)
Supplies	3,000	3,000	3,100	(100)
Other Objects	<u>1,000</u>	<u>1,000</u>	<u>1,941</u>	<u>(941)</u>
Total Business	<u>161,361</u>	<u>161,361</u>	<u>185,851</u>	<u>(24,490)</u>
Oper. & Maint. of Plant Svcs.				
Purchased Prof. & Tech. Services	150,000	150,000	156,776	(6,776)
Purchased Property Services	650,226	650,226	780,114	(129,888)
Other Purchased Services	76,500	76,500	81,981	(5,481)
Supplies	129,000	129,000	157,441	(28,441)
Property	20,000	20,000	1,479	18,521
Other Objects	<u>15,000</u>	<u>15,000</u>	<u>855</u>	<u>14,145</u>
Total Oper. & Maint. of Plant Svcs.	<u>1,040,726</u>	<u>1,040,726</u>	<u>1,178,646</u>	<u>(137,920)</u>

Clairton City School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	(Budgetary	Final Budget
			Basis)	Positive
				(Negative)
Expenditures (Cont'd)				
Support Services (Cont'd)				
Student Transportation Services				
Personal Services				
Salaries	\$ 16,242	\$ 16,242	\$ 12,019	\$ 4,223
Employee Benefits	6,533	6,533	4,962	1,571
Other Purchased Services	<u>350,000</u>	<u>350,000</u>	<u>413,749</u>	<u>(63,749)</u>
Total Student Transportation Services	<u>372,775</u>	<u>372,775</u>	<u>430,730</u>	<u>(57,955)</u>
Central				
Personal Services				
Salaries	58,684	58,684	137,919	(79,235)
Employee Benefits	38,734	38,734	82,923	(44,189)
Purchased Prof. & Tech. Services	-	-	148,255	(148,255)
Other Purchased Services	-	-	2,094	(2,094)
Supplies	-	-	836	(836)
Other Objects	<u>-</u>	<u>-</u>	<u>120</u>	<u>(120)</u>
Total Central	<u>97,418</u>	<u>97,418</u>	<u>372,147</u>	<u>(274,729)</u>
Other				
Other Purchased Services	<u>4,000</u>	<u>4,000</u>	<u>4,163</u>	<u>(163)</u>
Total Support Services	<u>4,356,550</u>	<u>4,363,302</u>	<u>4,734,287</u>	<u>(370,985)</u>
Noninstructional Services				
Student Activities				
Personal Services				
Salaries	167,809	167,809	151,477	16,332
Employee Benefits	70,213	70,213	45,264	24,949
Purchased Prof. & Tech. Services	25,000	25,000	31,850	(6,850)
Purchased Property Services	2,000	2,000	12,169	(10,169)
Other Purchased Services	<u>25,000</u>	<u>25,000</u>	<u>77,656</u>	<u>(52,656)</u>

Clairton City School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	(Budgetary	Final Budget
			Basis)	Positive
				(Negative)
Expenditures (Cont'd)				
Noninstructional Services (Cont'd)				
Student Activities (Cont'd)				
Supplies	\$ 8,000	\$ 8,000	\$ 45,283	\$ (37,283)
Property	3,000	3,000	-	3,000
Other Objects	<u>4,000</u>	<u>4,000</u>	<u>16,953</u>	<u>(12,953)</u>
Total Student Activities	<u>305,022</u>	<u>305,022</u>	<u>380,652</u>	<u>(75,630)</u>
Community Services				
Supplies	11,000	11,000	13,168	(2,168)
Other Objects	<u>20,000</u>	<u>20,000</u>	<u>5,000</u>	<u>15,000</u>
Total Community Services	<u>31,000</u>	<u>31,000</u>	<u>18,168</u>	<u>12,832</u>
Total Noninstructional Services	<u>336,022</u>	<u>336,022</u>	<u>398,820</u>	<u>(62,798)</u>
Facilities Acquisition, Construction and Improvement Services				
Property	<u>-</u>	<u>-</u>	<u>20,786</u>	<u>(20,786)</u>
Debt Service				
Interest	45,000	45,000	110,766	(65,766)
Refunds of Prior Year's Receipts	-	-	1,024	(1,024)
Redemption of Principal	<u>263,000</u>	<u>263,000</u>	<u>173,513</u>	<u>89,487</u>
Total Debt Service	<u>308,000</u>	<u>308,000</u>	<u>285,303</u>	<u>22,697</u>
Total Expenditures	<u>15,722,110</u>	<u>15,737,562</u>	<u>16,063,642</u>	<u>(326,080)</u>
Other Financing Uses				
Fund Transfers				
Special Revenue Fund	<u>60,000</u>	<u>60,000</u>	<u>-</u>	<u>60,000</u>
Total Expenditures & Other Financing Uses	<u>15,782,110</u>	<u>15,797,562</u>	<u>16,063,642</u>	<u>(266,080)</u>

Clairton City School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		Actual	Variance with
	Original	Final	(Budgetary	Final Budget
			Basis)	Positive
				(Negative)
Net Change in Fund Balance	\$ (372,848)	\$ (409,142)	\$ (301,403)	\$ 107,739
Fund Balance - July 1, 2017	<u>980,115</u>	<u>980,115</u>	<u>1,047,971</u>	<u>67,856</u>
Fund Balance - June 30, 2018	<u>\$ 607,267</u>	<u>\$ 570,973</u>	<u>\$ 746,568</u>	<u>\$ 175,595</u>

Clairton City School District
Note to the Required Supplementary Information
Budget Comparison
June 30, 2018

Note 1 - Budgetary Information

Budgets are adopted on a basis consistent with U. S. generally accepted accounting principles. Annual appropriated budgets are adopted for the general fund. All annual appropriations lapse at year-end.

All budget amounts presented in the accompanying required supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions to the annual budget during the year).

Clairton City School District
Required Supplementary Information
Schedule of Changes in the Total OPEB Liability
and Related Ratios
Last Two Years

	June 30, 2018	June 30, 2017
Total OPEB Liability		
Service cost	\$ 101,173	\$ -
Interest	64,918	-
Difference between expected and actual experience	(262,460)	-
Changes of assumptions and other inputs	278,604	-
Benefit payments	<u>(260,863)</u>	<u>-</u>
Net Change in Total OPEB Liability	(78,628)	-
Total OPEB Liability - Beginning	<u>2,163,925</u>	<u>-</u>
Total OPEB Liability - Ending	<u>\$2,085,297</u>	<u>\$2,163,925</u>
Covered Employee Payroll	\$5,083,069	N/A
Total OPEB Liability as a Percentage of Covered-Employee Payroll	41.02%	N/A

Notes to Schedule:

GASB 75 was implemented beginning with fiscal year ended June 30, 2018.

Assumption Changes:

Discount rate used for fiscal year ending:

2018	3.87%
------	-------

For the June 30, 2018 valuation, changes were made to the aging factors, the mortality table, withdrawal rates, retirement rates, participation rates, and trend rates.

The information reported above is the information which was available upon implementation of the new reporting standard; 10 years of information will be reported when available.

**Clairton City School District
Required Supplementary Information
Schedule of School District's
PSERS OPEB
Last Year**

	June 30, 2018
Contractually Required Contribution	\$ 49,098
Contributions in Relation to the Contractually Required Contribution	<u>49,098</u>
Contribution Deficiency (Excess)	<u><u>-</u></u>
School District's Covered Payroll	<u><u>\$5,891,793</u></u>
Contributions as a Percentage of Covered Payroll	0.83 %

The information reported above is the information which was available upon implementation of the new reporting standard; 10 years of information will be reported when available.

Clairton City School District
Required Supplementary Information
Schedule of School District's Contributions
PSERS
Last Four Years

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually Required Contribution	\$1,867,479	\$ 1,736,149	\$1,458,432	\$1,211,098
Contributions in Relation to the Contractually Required Contribution	<u>1,867,479</u>	<u>1,736,149</u>	<u>1,458,432</u>	<u>1,211,098</u>
Contribution Deficiency (Excess)	\$ <u> -</u>	\$ <u> -</u>	\$ <u> -</u>	\$ <u> -</u>
School District Covered Payroll	\$5,891,793	\$6,049,720	\$5,965,180	\$6,070,635
Contributions as a Percentage of Covered Payroll	31.70%	28.70%	24.45%	19.95%

The information reported above is the information which was available upon implementation of the new reporting standard; 10 years of information will be reported when available.

The covered payroll amount reported for June 30, 2017 has been revised from the prior year presentation to reflect adjustments processed by PSERS during the 2017/2018 school year.

Clairton City School District
Required Supplementary Information
Schedule of School District's Proportionate Share
of the Net Pension Liability
PSERS
Last Five Years
(Dollar Amount in Thousands)

	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
School District's Proportion of the Net Pension Liability (Asset)	0.0454%	0.0458%	0.0471%	0.0463%	0.0455%
School District's Proportionate Share of the Net Pension Liability (Asset)	\$22,422	\$22,697	\$20,401	\$18,326	\$18,626
§ School District's Covered Payroll	\$ 6,050	\$ 5,965	\$ 6,071	\$ 5,903	\$ 5,835
School District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	370.61%	380.50%	336.04%	310.42%	319.21%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	51.84%	50.14%	54.36%	57.24%	54.49%

The information reported above is the information which was available upon implementation of the new reporting standard; 10 years of information will be reported when available.

SINGLE AUDIT SECTION

HOSACK, SPECHT, MUETZEL & WOOD LLP
CERTIFIED PUBLIC ACCOUNTANTS
2 PENN CENTER WEST, SUITE 326
PITTSBURGH, PENNSYLVANIA 15276
PHONE - 412-343-9200
FAX - 412-343-9209
HSMW@HSMWCPA.COM
WWW.HSMWCPA.COM

Members of the Board
Clairton City School District
Clairton, Pennsylvania

Dear Members:

The reports contained in this single audit section are required in addition to the financial statements. The various reports for Clairton City School District for the period ended June 30, 2018 were prepared to fulfill the requirements of Government Auditing Standards and the Uniform Grant Guidance. A summary of the reports are as follows:

- A. Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
- B. Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance
- C. Schedule of Findings and Questioned Costs
- D. Schedule of Expenditures of Federal Awards
- E. List of Report Distribution

Respectfully submitted,

Hosack, Specht, Muetzel & Wood LLP

HOSACK, SPECHT, MUETZEL & WOOD LLP
Pittsburgh, Pennsylvania
May 17, 2019

HOSACK, SPECHT, MUETZEL & WOOD LLP
CERTIFIED PUBLIC ACCOUNTANTS
2 PENN CENTER WEST, SUITE 326
PITTSBURGH, PENNSYLVANIA 15276
PHONE - 412-343-9200
FAX - 412-343-9209
HSMW@HSMWCPA.COM
WWW.HSMWCPA.COM

Exhibit A

**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards***

Members of the Board
Clairton City School District
Clairton, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clairton City School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Clairton City School District's basic financial statements, and have issued our report thereon dated May 17, 2019.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness as Item 2018-002.

Internal Control Over Financial Reporting (Cont'd)

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clairton City School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Item 2018-001.

Clairton City School District's Response to Findings

Clairton City School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Clairton City School District'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.

Hosack, Specht, Muetzel & Wood LLP

HOSACK, SPECHT, MUETZEL & WOOD LLP
Pittsburgh, Pennsylvania
May 17, 2019

**Independent Auditor's Report on Compliance for Each Major Program and
on Internal Control Over Compliance Required by the Uniform Guidance**

Members of the Board
Clairton City School District
Clairton, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited Clairton City School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Clairton City School District's major federal programs for the year ended June 30, 2018. Clairton City School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Clairton City School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Clairton City School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

Report on Compliance for Each Major Federal Program (Cont'd)

Auditor's Responsibility (Cont'd)

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 Clairton City School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Clairton City School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of Clairton City School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Clairton City School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Clairton City School District's internal control over compliance.

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

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

Members of the Board
Clairton City School District
Exhibit B
Page 3

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Hosack, Specht, Muetzel & Wood LLP

HOSACK, SPECHT, MUETZEL & WOOD LLP
Pittsburgh, Pennsylvania
May 17, 2019

Clairton City School District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

Exhibit C

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued was modified.

Internal control over financial reporting:

- Material weakness(es) identified? ✓ yes no
- Significant deficiency(ies) identified? yes ✓ none reported

Noncompliance material to financial
statements noted?

 ✓ yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes ✓ no
- Significant deficiency(ies) identified? yes ✓ none reported

Type of auditor's report issued on compliance for major programs was unmodified.

Any audit findings disclosed that are required to
be reported in accordance with 2CFR Section
200.516(a)?

 yes ✓ no

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

84.010

Title I Cluster

Dollar threshold used to distinguish between
type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

 yes ✓ no

Clairton City School District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

Exhibit C

Section II - Financial Statement Findings

Noncompliance

2018-001 Noncompliance - Reporting Package

Condition

The School District's reporting package was not submitted within nine months after the end of the audit period for June 30, 2017.

Criteria

CFR section 200.512(a) states that the reporting package must be submitted the earlier of the 30 calendar days after the receipt of auditor's reports or nine months after the end of the audit period.

Cause

Lack of timely filing of reporting package by management.

Effect

Lack of timely filing of the reporting package results in the School District being unable to meet the "low risk" auditee classification for the next two years.

Recommendation

Management should take the necessary steps to ensure timely reporting package filing.

Response

Clairton City School District agrees with this finding and will attempt to timely file its reporting package.

Clairton City School District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

Exhibit C

Section II - Financial Statement Findings (Cont'd)

Material Weaknesses

2018-002 Reporting Package Internal Controls

Condition

The School District's reporting package was not submitted within nine months after the end of the audit period for June 30, 2017

Criteria

Internal controls should be in place to ensure that management submits the reporting package timely.

Cause

Lack of internal controls to ensure timely reporting package submission.

Effect

Lack of controls over submission of reporting package resulted in deadline not being met.

Recommendation

Management should take necessary steps to ensure internal controls are in place for timely reporting package submission.

Response

Clairton City School District agrees with the finding and the recommended procedures and is attempting to implement improvements over financial reporting.

Clairton City School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Exhibit D

Federal Grantor/ Pass Through Grantor/ Project Title	Source Code	Federal CFDA Number	Pass Through Grantor's Number	Grant Period Beginning/ Ending Date	Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue 07/01/17	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue 06/30/18
U. S. Department of Education										
Passed through the Pennsylvania Department of Education										
Title I Improving Basic Programs	I	84.010	013-180084	07/01/17-09/30/18	\$669,057	\$ 546,375	\$ -	\$ 607,347	\$ 607,347	\$ 60,972
Title I Improving Basic Programs	I	84.010	013-170084	07/01/16-09/30/17	692,726	123,354	104,731	18,623	18,623	-
Title I School Improvements - Set Aside	I	84.010	042-170084	08/11/17-09/30/18	75,630	75,630	-	59,957	59,957	(15,673)
Title I School Improvements - Set Aside	I	84.010	042-160084	04/28/16-09/30/17	69,832	3,879	3,879	-	-	-
						<u>749,238</u>	<u>108,610</u>	<u>685,927</u>	<u>685,927</u>	<u>45,299</u>
Title II Improving Teacher Quality	I	84.367	020-180084	07/01/17-09/30/18	66,039	68,046	-	66,039	66,039	(2,007)
Title II Improving Teacher Quality	I	84.367	020-170084	07/01/16-09/30/17	101,696	(430)	(430)	-	-	-
Title II Improving Teacher Quality	I	84.367	020-160084	07/01/15-09/30/16	103,216	(593)	(593)	-	-	-
						<u>67,023</u>	<u>(1,023)</u>	<u>66,039</u>	<u>66,039</u>	<u>(2,007)</u>
Title IV Student Support and Acad. Enrich.	I	84.424	144-180084	07/01/17-09/30/18	15,452	15,452	-	15,452	15,452	-
Passed through Intermediate Unit #3										
Title III	I	84.365	FA-010-18-0603	07/01/17-09/30/18	390	390	-	390	390	-
IDEA B - Section 619	I	84.173	131-17-0003	07/01/17-06/30/18	1,536	1,536	-	1,536	1,536	-
IDEA B	I	84.027	062-18-0003	07/01/17-09/30/18	219,018	-	-	219,018	219,018	219,018
Total Special Education Cluster						<u>1,536</u>	<u>-</u>	<u>220,554</u>	<u>220,554</u>	<u>219,018</u>
Total U. S. Department of Education						<u>833,639</u>	<u>107,587</u>	<u>988,362</u>	<u>988,362</u>	<u>262,310</u>
U. S. Department of Health & Human Services										
Passed through the Pennsylvania Department of Public Welfare										
Medical Assistance - Access	I	93.778	N/A	07/01/17-06/30/18	N/A	3,946	1,046	2,900	2,900	-
U. S. Department of Agriculture										
Nutrition Cluster										
Passed through the Pennsylvania Department of Education										
Nat'l. School Lunch Program	I	10.555	N/A	07/01/17-06/30/18	N/A	268,825	-	348,440	348,440	79,615
Nat'l. School Breakfast Program	I	10.553	N/A	07/01/17-06/30/18	N/A	61,726	-	82,988	82,988	21,262
Passed through the Pennsylvania Department of Agriculture										
(Donated Commodities Noncash Assistance)	I	10.555	N/A	07/01/17-06/30/18	N/A	45,083	(5,374)	31,521	31,521	(18,936)
Total Nutrition Cluster						<u>375,634</u>	<u>(5,374)</u>	<u>462,949</u>	<u>462,949</u>	<u>81,941</u>
Passed through the Pennsylvania Department of Education										
Fruits & Vegetables	I	10.582	N/A	07/01/17-06/30/18	N/A	18,009	2,979	21,500	21,500	6,470
Child Care	I	10.558	N/A	07/01/17-06/30/18	N/A	24,137	-	24,137	24,137	-
Total U. S. Department of Agriculture and Nutrition Cluster						<u>417,780</u>	<u>(2,395)</u>	<u>508,586</u>	<u>508,586</u>	<u>88,411</u>
Total Federal Financial Assistance						<u>\$1,255,365</u>	<u>\$106,238</u>	<u>\$1,499,848</u>	<u>\$1,499,848</u>	<u>\$350,721</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

Clairton City School District
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Exhibit D

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Clairton City School District under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Clairton City School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of Clairton City School District.

Note B - Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Clairton City School District has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note C - Source Code

The Source Code (I) indicates funds received indirectly.

Note D - Reconciliation with Subsidy Confirmation

Amount Received Per Schedule	\$1,255,365
Add State Share of Cafeteria Subsidies	14,324
Add Medical Assistance	80,000
Less Passed Through IU	(1,926)
Less Donated Commodities	(45,083)
Less Medical Assistance Access	<u>(3,946)</u>
Per Subsidy Confirmation	<u>\$1,298,734</u>

Note E - Subrecipients

The School District did not pass through any federal expenditures to subrecipients.

Note F - Restatement

The accrued revenue at July 1, 2017 was restated to \$106,238.

**Clairton City School District
List of Report Distribution
June 30, 2018**

Exhibit E

1 Copy - Bureau of Audits

1 Copy - Bureau of the Census