

**Clairton City School District  
Financial Statements  
June 30, 2019**

**Clairton City School District  
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**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, 2019, 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.

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, 2019, 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. Such information is the responsibility of management and was derived from and relates 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 15, 2020 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 15, 2020

**Clairton City School District**  
**Management's Discussion and Analysis**  
**June 30, 2019**

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, 2019. 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 \$1,025,133, expenditures in excess of revenues of \$337,276 and an ending fund balance of \$687,857. The actual results were as follows: beginning fund balance of \$746,568; expenditures in excess of revenues of \$618,849 and an ending fund balance of \$127,719.

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, 2019, Clairton City School District had expenditures in excess of revenue for the sixth consecutive year. This was an 83% 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.

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.

**Clairton City School District  
Management's Discussion and Analysis  
June 30, 2019**

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 – 1  
Required Components of  
Clairton City School District's  
Financial Report

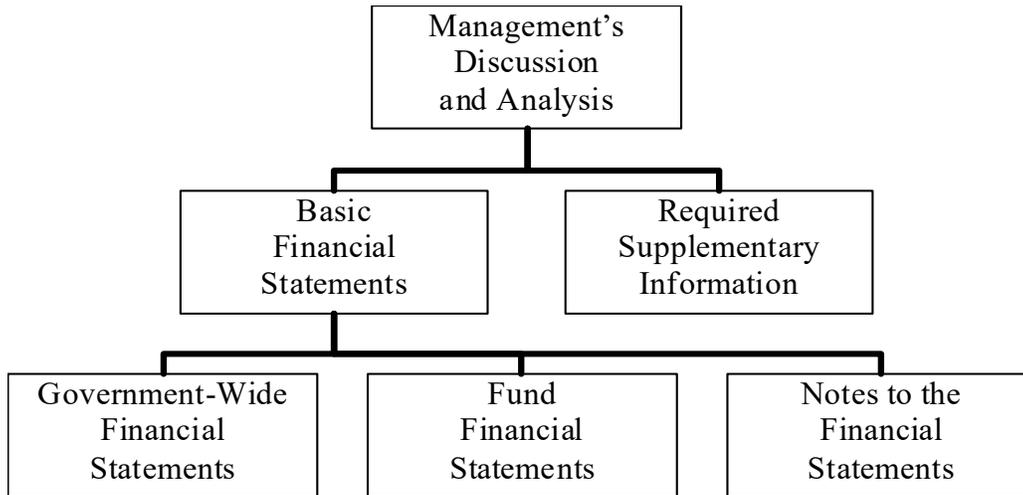


Figure A-2 summarizes the major features of the School District's financial statements, including the portion of the School District they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents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

**Clairton City School District  
Management's Discussion and Analysis  
June 30, 2019**

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 someone else's resources
Required financial statements	Statement of net position; statement of activities	Balance sheet; statement of revenues, expenditures, 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 capital, 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 capital, 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 payment 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

**Clairton City School District**  
**Management's Discussion and Analysis**  
**June 30, 2019**

**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.

The two government-wide statements report the School District's net position and how it has 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 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.

**Clairton City School District  
Management's Discussion and Analysis  
June 30, 2019**

*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 statements 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 \$(12,737,774) at June 30, 2019 and a deficit \$(12,335,614) at June 30, 2018.

Table A - 1  
Years Ended June 30, 2019 and 2018  
Net Position

	2019			2018		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Current and Other Assets	\$ 7,175,673	\$ 310,466	\$ 7,486,139	\$ 6,997,561	\$ 199,906	\$ 7,197,467
Capital Assets	7,373,258	-	7,373,258	7,724,728	68,970	7,793,698
<b>Total Assets</b>	<b>14,548,931</b>	<b>310,466</b>	<b>14,859,397</b>	<b>14,722,289</b>	<b>268,876</b>	<b>14,991,165</b>
Deferred Outflows of Resources	3,153,488	-	3,153,488	3,795,490	-	3,795,490
Current and Other Liabilities	2,491,976	102,450	2,594,426	2,029,996	42,162	2,072,158
Noncurrent Liabilities						
Due Within One Year	167,553	-	167,553	182,970	-	182,970
Due in More Than One Year	26,472,405	-	26,472,405	27,952,912	-	27,952,912
<b>Total Liabilities</b>	<b>29,131,934</b>	<b>102,450</b>	<b>29,234,384</b>	<b>30,165,878</b>	<b>42,162</b>	<b>30,208,040</b>
Deferred Inflows of Resources	1,516,275	-	1,516,275	914,229	-	914,229
<b>Net Position</b>						
Net Investment in Capital Assets	4,981,743	60,820	5,042,563	5,182,518	68,970	5,251,488
Unrestricted	(17,927,533)	147,196	(17,780,337)	(17,744,846)	157,744	(17,587,102)
<b>Total Net Position</b>	<b>\$ (12,945,790)</b>	<b>\$ 208,016</b>	<b>\$ (12,737,774)</b>	<b>\$ (12,562,328)</b>	<b>\$ 226,714</b>	<b>\$ (12,335,614)</b>

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.

**Clairton City School District  
Management's Discussion and Analysis  
June 30, 2019**

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, 2019 and 2018  
Change in Net Position

	<b>2019</b>			<b>2018</b>		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for Services	\$ -	\$ 62,325	\$ 62,325	\$ -	\$ 101,553	\$ 101,553
Operating Grants and Contribs.	4,945,250	-	4,945,250	4,582,682	527,290	5,109,972
<b>General Revenues</b>						
Property Taxes	3,055,767	-	3,055,767	2,707,372	-	2,707,372
Other Taxes	673,303	-	673,303	651,953	-	651,953
<b>Grants, Subsidies and Contribs.</b>						
Unrestricted	8,058,716	563,334	8,622,050	7,816,293	-	7,816,293
Investment Earnings	16,805	233	17,038	16,232	122	16,354
Miscellaneous Income	140,729	-	140,729	208,810	-	208,810
<b>Total Revenues</b>	<b>16,890,570</b>	<b>625,892</b>	<b>17,516,462</b>	<b>15,983,342</b>	<b>628,965</b>	<b>16,612,307</b>
<b>Expenses</b>						
Instruction	11,691,149	-	11,691,149	11,305,499	-	11,305,499
Instructional Student Support	1,352,691	-	1,352,691	1,364,285	-	1,364,285
Admin. and Fin. Support Svcs.	1,914,578	-	1,914,578	1,862,727	-	1,862,727
<b>Operation and Maintenance</b>						
of Plant Services	1,295,537	-	1,295,537	1,181,590	-	1,181,590
Pupil Transportation	428,123	-	428,123	437,480	-	437,480
Student Activities	373,738	-	373,738	388,960	-	388,960
Community Services	16,654	-	16,654	18,168	-	18,168
Interest on Long-Term Debt	201,562	-	201,562	110,414	-	110,414
Food Service	-	644,590	644,590	-	647,661	647,661
<b>Total Expenses</b>	<b>17,274,032</b>	<b>644,590</b>	<b>17,918,622</b>	<b>16,669,123</b>	<b>647,661</b>	<b>17,316,784</b>
Increase (Decrease) in Net Position	(383,462)	(18,698)	(402,160)	(685,781)	(18,696)	(704,477)
Beginning Net Position	(12,562,328)	226,714	(12,335,614)	(11,876,547)	245,410	(11,631,137)
Ending Net Position	<u>\$ (12,945,790)</u>	<u>\$ 208,016</u>	<u>\$ (12,737,774)</u>	<u>\$ (12,562,328)</u>	<u>\$ 226,714</u>	<u>\$ (12,335,614)</u>

**Clairton City School District**  
**Management's Discussion and Analysis**  
**June 30, 2019**

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, 2019 and 2018  
Governmental Activities

	<b>2019</b>		<b>2018</b>	
	Total Cost (Expense) of Services	Net Cost (Expense) of Services	Total Cost (Expense) of Services	Net Cost (Expense) of Services
<b>Functions/Programs</b>				
Instruction	\$ 11,691,149	\$ 7,690,247	\$ 11,305,499	\$ 7,647,875
Instructional Student Support	1,352,691	1,084,054	1,364,285	1,099,666
Admin. and Fin. Support Svcs.	1,914,578	1,589,250	1,862,727	1,590,255
Operation and Maintenance of Plant Services	1,295,537	1,295,537	1,181,590	1,181,590
Pupil Transportation	428,123	106,894	437,480	74,510
Student Activities	373,738	344,584	388,960	363,963
Community Services	16,654	16,654	18,168	18,168
Interest on Long-Term Debt	<u>201,562</u>	<u>201,562</u>	<u>110,414</u>	<u>110,414</u>
<b>Total Governmental Activities</b>	<u><b>\$ 17,274,032</b></u>	<b>12,328,782</b>	<u><b>\$ 16,669,123</b></u>	<b>12,086,441</b>
<b>Less:</b>				
Unrestricted Grants, Subsidies		<u>(8,058,716)</u>		<u>(7,816,293)</u>
<b>Total Needs from Local Taxes and Other Revenues</b>		<u><b>\$ 4,270,066</b></u>		<u><b>\$ 4,270,148</b></u>

**Clairton City School District  
Management's Discussion and Analysis  
June 30, 2019**

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, 2019 and 2018  
Business-Type Activities

	<b>2019</b>		<b>2018</b>	
	Total Cost (Expense) of Services	Net Cost (Expense) of Services	Total Cost (Expense) of Services	Net Cost (Expense) of Services
Functions/Programs				
Food Service	<u>\$ 644,590</u>	\$ 18,931	<u>\$ 647,661</u>	\$ 18,818
Add/Less:				
Investment Earnings		<u>(233)</u>		<u>(122)</u>
Total Business-Type Activities		<u>\$ 18,698</u>		<u>\$ 18,696</u>

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, 2019, the School District's governmental funds reported a combined fund balance of \$180,470, which is a decrease of \$618,725. The primary reason for this decrease is that during the year ended June 30, 2019, the School District's special education expenditures greatly exceeded budget expectations. The School District had budgeted to use \$337,276 of the beginning fund balance to balance the budget and there was more actually 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.

**Clairton City School District  
Management's Discussion and Analysis  
June 30, 2019**

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, 2019, the School District had \$7,373,258 invested in a broad range of capital assets, including, land, land improvements, buildings and furniture and equipment with the majority of the total \$6,693,817 invested in buildings and building improvements.

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

	<b>2019</b>	<b>2018</b>
Land	\$ 483,122	\$ 483,122
Land Improvements	12,330	18,732
Buildings and Building Improvements	6,693,817	7,107,957
Furniture and Equipment	183,989	114,917

Debt Administration

As of June 30, 2019, and 2018, 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, 2018, the School District had outstanding general obligation notes with a balance of \$2,542,210. During the 2018/2019 school year, principal payments of \$150,695 were made leaving an outstanding balance of \$2,391,515 as of June 30, 2019.

**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 80.808 mills and buildings at 7.542 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.

**Clairton City School District  
Management's Discussion and Analysis  
June 30, 2019**

The comparison of revenue and expenditure categories is as follows:

Table A - 6

	Budgeted Revenue 2019/2020	Actual Revenue 2018/2019
Local	23.3%	23.1%
State	70.3%	70.9%
Federal/Other	6.4%	6.0%
	Budgeted Expenditures 2019/2020	Actual Expenditures 2018/2019
Instruction	66.8%	65.8%
Support Services	30.1%	29.6%
Noninstructional Services	1.9%	2.3%
Fund Transfers/Debt/Other	1.2%	2.3%

**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, 2019**

**Exhibit 1**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,279,324	\$ 31,198	\$ 1,310,522
Taxes Receivable, Net	4,651,271	-	4,651,271
Internal Balances	(65,833)	65,833	-
Due From Other Governments	1,064,647	64,590	1,129,237
Other Receivables	228,057	-	228,057
Inventories	-	23,649	23,649
Prepaid Items	18,207	64,376	82,583
Capital Assets not Being Depreciated			
Land	483,122	-	483,122
Capital Assets, Net of Accumulated Depreciation			
Site Improvements	12,330	-	12,330
Building & Building Improvements	6,693,817	-	6,693,817
Furniture & Equipment	183,989	60,820	244,809
	<hr/>	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<b>14,548,931</b>	<b>310,466</b>	<b>14,859,397</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Amounts Related to OPEB - District	284,141	-	284,141
Amounts Related to OPEB - PSERS	73,639	-	73,639
Amounts Related to Pension	2,795,708	-	2,795,708
	<hr/>	<hr/>	<hr/>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>3,153,488</b>	<b>-</b>	<b>3,153,488</b>
<b>LIABILITIES</b>			
Accounts Payable	924,143	86,405	1,010,548
Accrued Salaries and Benefits	1,276,352	-	1,276,352
Payroll Deductions and Withholdings	244,294	-	244,294
Unearned Revenues	29,771	16,045	45,816
Other Current Liabilities	17,416	-	17,416
Noncurrent Liabilities			
Due Within One Year	167,553	-	167,553
Due in More Than One Year			
Notes Payable	2,250,607	-	2,250,607
Compensated Absences	106,580	-	106,580
Other Post-Employment Benefits - District	2,176,218	-	2,176,218
Other Post-Employment Benefits - PSERS	913,000	-	913,000
Net Pension Liability	21,026,000	-	21,026,000
	<hr/>	<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>	<b>29,131,934</b>	<b>102,450</b>	<b>29,234,384</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Amounts Related to OPEB - District	224,966	-	224,966
Amounts Related to OPEB - PSERS	70,309	-	70,309
Amounts Related to Pension	1,221,000	-	1,221,000
	<hr/>	<hr/>	<hr/>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>1,516,275</b>	<b>-</b>	<b>1,516,275</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	4,981,743	60,820	5,042,563
Unrestricted	(17,927,533)	147,196	(17,780,337)
	<hr/>	<hr/>	<hr/>
<b>TOTAL NET POSITION</b>	<b>\$ (12,945,790)</b>	<b>\$ 208,016</b>	<b>\$ (12,737,774)</b>

See Accompanying Notes

**Clairton City School District**  
**Statement of Activities**  
**Year Ended June 30, 2019**

**Exhibit 2**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
<b>Governmental activities:</b>							
Instruction	\$ 11,691,149	\$ -	\$ 4,000,902	\$ -	\$ (7,690,247)	\$ -	\$ (7,690,247)
Instructional Student Support	1,352,691	-	268,637	-	(1,084,054)	-	(1,084,054)
Administrative and Financial Support Services	1,914,578	-	325,328	-	(1,589,250)	-	(1,589,250)
Operation and Maintenance of Plant Services	1,295,537	-	-	-	(1,295,537)	-	(1,295,537)
Pupil Transportation	428,123	-	321,229	-	(106,894)	-	(106,894)
Student Activities	373,738	-	29,154	-	(344,584)	-	(344,584)
Community Services	16,654	-	-	-	(16,654)	-	(16,654)
Interest on Long-Term Debt	201,562	-	-	-	(201,562)	-	(201,562)
<b>Total Governmental Activities</b>	<b>17,274,032</b>	<b>-</b>	<b>4,945,250</b>	<b>-</b>	<b>(12,328,782)</b>	<b>-</b>	<b>(12,328,782)</b>
<b>Business-type activities:</b>							
Food Service	644,590	62,325	563,334	-	-	(18,931)	(18,931)
<b>Total Primary Government</b>	<b>\$ 17,918,622</b>	<b>\$ 62,325</b>	<b>\$ 5,508,584</b>	<b>\$ -</b>	<b>(12,328,782)</b>	<b>(18,931)</b>	<b>(12,347,713)</b>
<b>General Revenues</b>							
<b>Taxes</b>							
Property Taxes Levied for General Purposes, Net					3,055,767	-	3,055,767
Earned Income Taxes					412,985	-	412,985
Business Privilege Taxes					188,530	-	188,530
Other Taxes Levied for General Purposes, Net					71,788	-	71,788
Grants, Subsidies and Contributions not Restricted					8,058,716	-	8,058,716
Investment Earnings					16,805	233	17,038
Miscellaneous Income					140,729	-	140,729
<b>Total General Revenues</b>					<b>11,945,320</b>	<b>233</b>	<b>11,945,553</b>
<b>Change in Net Position</b>					<b>(383,462)</b>	<b>(18,698)</b>	<b>(402,160)</b>
<b>Net Position - July 1, 2018</b>					<b>(12,562,328)</b>	<b>226,714</b>	<b>(12,335,614)</b>
<b>Net Position - June 30, 2019</b>					<b>\$ (12,945,790)</b>	<b>\$ 208,016</b>	<b>\$ (12,737,774)</b>

See Accompanying Notes

**Clairton City School District**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2019**

**Exhibit 3**

	General Fund	Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,226,573	\$ 52,751	\$ 1,279,324
Taxes Receivable, Net	4,651,271	-	4,651,271
Due from Other Governments	1,064,647	-	1,064,647
Other Receivables	228,057	-	228,057
Prepaid Items	18,207	-	18,207
	<hr/>	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<b>\$ 7,188,755</b>	<b>\$ 52,751</b>	<b>\$ 7,241,506</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Due to Other Funds	\$ 65,833	\$ -	\$ 65,833
Accounts Payable	924,143	-	924,143
Accrued Salaries and Benefits	1,276,352	-	1,276,352
Payroll Deductions and Withholdings	244,294	-	244,294
Unearned Revenues	29,771	-	29,771
Other Current Liabilities	8,500	-	8,500
	<hr/>	<hr/>	<hr/>
<b>Total Liabilities</b>	<b>2,548,893</b>	<b>-</b>	<b>2,548,893</b>
<b>Deferred Inflows of Resources</b>			
Unavailable Revenues - Property Taxes	4,512,143	-	4,512,143
	<hr/>	<hr/>	<hr/>
<b>Fund Balances</b>			
Nonspendable	18,207	-	18,207
Committed	-	52,751	52,751
Unassigned	109,512	-	109,512
	<hr/>	<hr/>	<hr/>
<b>Total Fund Balances</b>	<b>127,719</b>	<b>52,751</b>	<b>180,470</b>
	<hr/>	<hr/>	<hr/>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 7,188,755</b>	<b>\$ 52,751</b>	<b>\$ 7,241,506</b>

See Accompanying Notes

**Clairton City School District**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**June 30, 2019**

**Exhibit 4**

Total Fund Balances - Governmental Funds \$ 180,470

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 \$18,920,637, and the accumulated depreciation is \$11,547,379. 7,373,258

Property taxes receivable will be collected in the future, but are not available soon enough to pay for the current period's expenditures, and, therefore, are not reported as assets in governmental funds. 4,512,143

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 on the Notes	(8,916)	
Notes Payable	(2,391,515)	
Compensated Absences	<u>(133,225)</u>	(2,533,656)

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

Other Post-Employment Benefits Payable - District	(2,176,218)	
Other Post-Employment Benefits Payable - PSERS	(913,000)	
Net Pension Liability	<u>(21,026,000)</u>	(24,115,218)

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

Deferred Outflows of Resources Related to Pensions	2,795,708	
Deferred Inflows of Resources Related to Pensions	(1,221,000)	
Deferred Outflows of Resources Related to OPEB - District	284,141	
Deferred Inflows of Resources Related to OPEB - District	(224,966)	
Deferred Outflows of Resources Related to OPEB - PSERS	73,639	
Deferred Inflows of Resources Related to OPEB - PSERS	<u>(70,309)</u>	<u>1,637,213</u>

Total Net Position - Governmental Activities \$ (12,945,790)

See Accompanying Notes

**Clairton City School District  
Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Governmental Funds  
Year Ended June 30, 2019**

**Exhibit 5**

	General Fund	Nonmajor Funds	Total Governmental Funds
<b>Revenues</b>			
Local Sources	\$ 3,825,544	\$ 124	\$ 3,825,668
State Sources	11,733,367	-	11,733,367
Federal Sources	997,933	-	997,933
	<u>16,556,844</u>	<u>124</u>	<u>16,556,968</u>
<b>Total Revenues</b>			
<b>Expenditures</b>			
Instruction	11,302,410	-	11,302,410
Support Services	5,078,447	-	5,078,447
Noninstructional Services	391,171	-	391,171
Capital Outlay	50,153	-	50,153
Debt Service (Principal & Interest)	352,588	-	352,588
Refunds of Prior Year's Receipts	924	-	924
	<u>17,175,693</u>	<u>-</u>	<u>17,175,693</u>
<b>Total Expenditures</b>			
Net Change in Fund Balances	(618,849)	124	(618,725)
Fund Balances - July 1, 2018	<u>746,568</u>	<u>52,627</u>	<u>799,195</u>
Fund Balances - June 30, 2019	<u>\$ 127,719</u>	<u>\$ 52,751</u>	<u>\$ 180,470</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, 2019**

**Exhibit 6**

Total Net Change in Fund Balances - Governmental Funds \$ (618,725)

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 depreciation exceeds capital outlays in the period.

Depreciation Expense	\$ (507,507)	
Capital Outlays	<u>156,037</u>	(351,470)

Because some property taxes and other revenues will not be collected within the current financial resources measurement focus period, they are not considered as "available" revenues in the governmental funds. Unavailable revenues increased by this amount this year. 334,526

Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 150,695

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	28,150	
Other Post-Employment Benefits - District	(46,737)	
Other Post-Employment Benefits - PSERS	<u>15,748</u>	(2,839)

**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, 2019**

**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	331
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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.

District Pension Contributions to PSERS	2,028,213	
Cost of Benefits Earned	<u>(1,924,193)</u>	<u>104,020</u>
Change in Net Position of Governmental Activities		<u>\$ (383,462)</u>

See Accompanying Notes

**Clairton City School District  
Statement of Net Position  
Proprietary Funds  
June 30, 2019**

**Exhibit 7**

	Food Service Fund
<b>ASSETS</b>	
Current Assets	
Cash and Cash Equivalents	\$ 31,198
Due From Other Funds	65,833
Due From Other Governments	64,590
Inventories	23,649
Prepaid Items	<u>64,376</u>
Total Current Assets	<u>249,646</u>
Noncurrent Assets	
Furniture and Equipment, Net	<u>60,820</u>
<b>TOTAL ASSETS</b>	<u><u>310,466</u></u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts Payable	86,405
Unearned Revenues	<u>16,045</u>
<b>TOTAL LIABILITIES</b>	<u>102,450</u>
<b>NET POSITION</b>	
Invested in Capital Assets	60,820
Unrestricted	<u>147,196</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 208,016</u></u>

See Accompanying Notes

**Clairton City School District**  
**Statement of Revenues, Expenses and Changes**  
**in Net Position**  
**Proprietary Funds**  
**Year Ended June 30, 2019**

**Exhibit 8**

	Food Service Fund
Operating Revenues	
Food Service Revenue	\$ <u>62,325</u>
Operating Expenses	
Purchased Property Services	13,802
Other Purchased Services	614,785
Supplies	2,691
Depreciation	12,137
Other Operating Expenditures	<u>1,175</u>
Total Operating Expenses	<u>644,590</u>
Operating Income (Loss)	<u>(582,265)</u>
Nonoperating Revenues (Expenses)	
Earnings on Investments	233
State Sources	23,655
Federal Sources	<u>539,679</u>
Total Nonoperating Revenues (Expenses)	<u>563,567</u>
Change in Net Position	(18,698)
Net Position - July 1, 2018	<u>226,714</u>
Net Position - June 30, 2019	<u>\$ 208,016</u>

See Accompanying Notes

**Clairton City School District  
Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2019**

**Exhibit 9**

	Food Service Fund
Cash Flows From Operating Activities	
Cash Received from Users	\$ 62,325
Cash Payments to Suppliers for Goods and Services	(521,318)
Cash Payments for Other Operating Expenses	<u>(1,175)</u>
Net Cash Provided by (Used for) Operating Activities	<u>(460,168)</u>
Cash Flows From Non-Capital Financing Activities	
State Sources	25,578
Federal Sources	542,193
Operating Transfers In (Out)	<u>(92,089)</u>
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>475,682</u>
Cash Flows From Capital and Related Financing Activities	
Facilities Acquisition/Const./Imp.Serv	<u>(3,987)</u>
Cash Flows From Investing Activities	
Earnings on Investments	<u>233</u>
Net Increase (Decrease) in Cash and Cash Flows	11,760
Cash and Cash Equivalents - July 1, 2018	<u>19,438</u>
Cash and Cash Equivalents - June 30, 2019	<u>\$ 31,198</u>

**Clairton City School District  
Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2019**

**Exhibit 9**

	Food Service Fund
Operating Income (Loss)	<u>\$ (582,265)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities	
Depreciation and Net Amortization	12,137
Donated Commodities	42,700
(Increase) Decrease in Inventories	1,606
(Increase) Decrease in Prepaid Items	5,366
Increase (Decrease) in Accounts Payable	63,179
Increase (Decrease) in Deferred Revenue	<u>(2,891)</u>
 Total Adjustments	 <u>122,097</u>
 Cash Provided by (Used for) Operating Activities	 <u><u>\$ (460,168)</u></u>

Noncash Non-Capital Financing Activities

During the year ended June 30, 2019, the School District received \$39,810 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, 2019**

**Exhibit 10**

	Agency Fund
<b>ASSETS</b>	
Cash and Cash Equivalents	<u>\$          4,474</u>
<b>LIABILITIES</b>	
Other Current Liabilities	<u>\$          4,474</u>

See Accompanying Notes

**Clairton City School District**  
**Notes to Financial Statements**  
**June 30, 2019**

**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.

**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:

**Clairton City School District**  
**Notes to Financial Statements**  
**June 30, 2019**

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.

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.

**Clairton City School District**  
**Notes to Financial Statements**  
**June 30, 2019**

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.

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 measurable 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.

**Clairton City School District**  
**Notes to Financial Statements**  
**June 30, 2019**

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, 2019 was \$249,500 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, 2019. 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.

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, 2019.

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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.

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, 2019.

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, 2019 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.

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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:

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 various items that qualify for reporting in this category. The items are in the government-wide statement of net position, which are related to the participation in the cost sharing defined benefit pension plan and other post-employment plans. 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. This amount is deferred and recognized as an inflow of resources in the period the amount becomes available. In addition, the School District has various items to report in the government-wide statement of net position relating to the cost sharing defined benefit pension plan and other post-employment benefits 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 premiums and discounts are reported as deferred charges and amortized over the term of the related debt.

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In the fund financial statements, governmental fund types recognize bond premiums and discounts 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".

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.

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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 nonspendable fund balance of \$18,207 in the general fund is for prepaid items.

The committed fund balance of \$52,751 in the capital projects fund is for future capital improvements.

**Note 2 - 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, 2019, \$2,947,998 of the School District's bank balance of \$3,447,998 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>\$2,947,998</u>

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As of June 30, 2019, the School District had the following investments:

Investments	Fair Value
PLGIT	\$ 117,926
PSDLAF	<u>930</u>
	<u>\$ 118,856</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.

**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, 2019 under this hierarchy.

**Clairton City School District**  
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**Note 3 - Real Estate Taxes**

The municipal tax collectors bill and collect real estate taxes on behalf of the School District based upon assessed values provided by the County. The School District's tax rate for all purposes in 2018/2019 was 80.808 mills on land (\$80.81 per \$1,000 assessed valuation) and 7.542 mills on buildings (\$7.54 per \$1,000 assessed valuation). The tax calendar for real estate taxes levied for 2018/2019 is as follows:

Tax Levy Date	July 1, 2018
2% Discount Period	Through August 31, 2018
Face Payment Period	September 1 - October 31, 2018
10% Penalty Period	November 1, Until Liened
Lien Filing Date	January 15, 2019

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 \$4,512,143, along with other taxes receivable of \$139,128.

**Note 4 - Due from Other Governments**

Amounts due from other governments represent receivables for revenues earned by the School District. At June 30, 2019, the following amounts are due from other governmental units:

	Governmental Funds	Enterprise Fund	Totals
Federal (through the state)	\$ 288,142	\$ 62,133	\$ 350,275
State	<u>776,505</u>	<u>2,457</u>	<u>778,962</u>
	<u>\$ 1,064,647</u>	<u>\$ 64,590</u>	<u>\$ 1,129,237</u>

**Note 5 - Capital Assets**

Capital asset activity for the year ended June 30, 2019, was as follows:

	Balance 07/01/18	Additions	Transfers	Balance 06/30/19
<b>Governmental Activities</b>				
Capital Assets not Being Depreciated				
Land	<u>\$ 483,122</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 483,122</u>
Capital Assets Being Depreciated				
Land Improvements	729,380	9,125	-	738,505
Buildings and Building Improvements	15,821,812	25,527	-	15,847,339
Furniture and Equipment	<u>1,730,286</u>	<u>121,385</u>	<u>-</u>	<u>1,851,671</u>
Total Capital Assets Being Depreciated	<u>18,281,478</u>	<u>156,037</u>	<u>-</u>	<u>18,437,515</u>

**Clairton City School District**  
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	Balance 07/01/18	Additions	Transfers	Balance 06/30/19
Less Accumulated Depreciation				
Land Improvements	710,648	15,527	-	726,175
Buildings and Building Improvements	8,713,855	439,667	-	9,153,522
Furniture and Equipment	<u>1,615,369</u>	<u>52,313</u>	<u>-</u>	<u>1,667,682</u>
Total Accumulated Depreciation	<u>11,039,872</u>	<u>507,507</u>	<u>-</u>	<u>11,547,379</u>
Total Capital Assets Being Depreciated, Net	<u>7,241,606</u>	<u>(351,470)</u>	<u>-</u>	<u>6,890,136</u>
Governmental Activities Capital Assets, Net	<u>\$ 7,724,728</u>	<u>\$ (351,470)</u>	<u>\$ -</u>	<u>\$ 7,373,258</u>
Business-Type Activities				
Furniture and Equipment	\$ 492,697	\$ 3,987	\$ -	\$ 496,684
Less Accumulated Depreciation and Equipment	<u>423,727</u>	<u>12,137</u>	<u>-</u>	<u>435,864</u>
Business-Type Activities Capital Assets, Net	<u>\$ 68,970</u>	<u>\$ (8,150)</u>	<u>\$ -</u>	<u>\$ 60,820</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities

Instruction	\$ 468,908
Instructional Student Support	23,859
Operation and Maintenance of Plant Services	7,508
Pupil Transportation	6,179
Student Activities	<u>1,053</u>
Total Depreciation Expense	<u>\$ 507,507</u>
Business-Type Activities - Food Service	<u>\$ 12,137</u>

**Note 6 - Interfund Balances**

At June 30, 2019, interfund balances were:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ -	\$ 65,833
Food Service Fund	<u>65,833</u>	<u>-</u>
	<u>\$ 65,833</u>	<u>\$ 65,833</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.

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**Note 7 - Long-Term Liabilities**

The following are changes in the long-term liabilities for the year ended June 30, 2019:

	Balance 07/01/18	Additions	Reductions	Balance 06/30/19	Due Within One Year
Governmental Activities					
General Obligation Notes	\$ 2,542,210	\$ -	\$ 150,695	\$ 2,391,515	\$ 140,908
Compensated Absences	<u>161,375</u>	<u>-</u>	<u>28,150</u>	<u>133,225</u>	<u>26,645</u>
	<u>\$ 2,703,585</u>	<u>\$ -</u>	<u>\$ 178,845</u>	<u>\$ 2,524,740</u>	<u>\$ 167,553</u>

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

Notes Payable

Note payable to a bank, monthly payments of \$7,639, including interest at 4.48 % per annum, with payments through September 2025 \$ 499,283

General obligation notes, Series of 2017, yearly payments of \$150,630, including interest at 4.10% per annum, with payments through May 2037 1,892,232

\$ 2,391,515

The annual requirements of School District funds to amortize all debt outstanding (excluding compensated absences) as of June 30, 2019, including interest, are as follows:

Year Ended June 30,	General Obligation Notes		Totals
	Principal	Interest	
2020	\$ 140,908	\$ 101,399	\$ 242,307
2021	150,140	92,167	242,307
2022	156,642	85,665	242,307
2023	163,426	78,881	242,307
2024	170,515	71,792	242,307
2025-2029	599,695	268,051	867,746
2030-2034	592,928	160,223	753,151
2035-2037	<u>417,261</u>	<u>56,970</u>	<u>474,231</u>
	<u>\$ 2,391,515</u>	<u>\$ 915,148</u>	<u>\$ 3,306,663</u>

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**Note 8 - 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, 2019 is as follows:

	Balance 07/01/18	Issued	Redeemed	Balance 06/30/19
Tax Anticipation Notes	<u>\$ -</u>	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>	<u>\$ -</u>

**Note 9 - 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, 2019 were \$99,439. Future minimum payments for these leases are as follows:

Year Ended June 30,	Amount
2020	\$ 25,734
2021	<u>1,420</u>
	<u>\$ 27,154</u>

**Note 10 - 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.

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](http://www.psers.pa.gov).

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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.

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.

**Clairton City School District**  
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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, 2019 was 32.60% 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 \$2,028,213 for the year ended June 30, 2019.

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

At June 30, 2019, the School District reported a liability of \$21,026,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017 to June 30, 2018. 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, 2019, the School District’s proportion was 0.0438%, which was a decrease of 0.0016% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the School District recognized pension expense of \$1,924,193. At June 30, 2019, 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	\$ 169,000	\$ 325,000
Net difference between projected and actual investment earnings	103,000	-
Change in assumptions	392,000	-
Changes in proportions	77,000	896,000
Difference between employer contributions and proportionate share of total contributions	26,495	-
Contributions subsequent to the measurement date	2,028,213	-
	\$ 2,795,708	\$ 1,221,000

**Clairton City School District**  
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\$2,028,213 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, 2020. 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,	
2020	\$ 181,807
2021	(107,604)
2022	(451,420)
2023	<u>(76,288)</u>
	<u>\$ (453,505)</u>

1. Actuarial Assumptions

The total pension liability as of June 30, 2018 was determined by rolling forward the System's total pension liability at June 30, 2017 to June 30, 2018 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 actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2015.

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.

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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	20.0%	5.2%
Fixed Income	36.0%	2.2%
Commodities	8.0%	3.2%
Absolute return	10.0%	3.5%
Risk parity	10.0%	3.9%
Infrastructure/MLPs	8.0%	5.2%
Real estate	10.0%	4.2%
Alternative investments	15.0%	6.7%
Cash	3.0%	0.4%
Financing (LIBOR)	<u>-20.0%</u>	0.9%
	<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, 2018.

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%	Current	1.00%
	Decrease	Discount Rate	Increase
	6.25%	7.25%	8.25%
School District's proportionate share of the net pension liability	\$ 26,063	\$ 21,026	\$ 16,767

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](http://www.psers.pa.gov).

**Clairton City School District  
Notes to Financial Statements  
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**Note 11 - 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, 2019 have not yet been conducted. Accordingly, the School District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the School District expects such amounts, if any, to be immaterial.

**Note 12 - 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 June 30, 2018, the following employees were covered by the benefit terms:

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

**Clairton City School District  
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C. Total OPEB Liability

The School District's total OPEB liability of \$2,176,218 was measured as of June 30, 2019, and was determined by an actuarial valuation as of July 1, 2017. Standard roll-forward techniques were used to roll-forward the liability from the valuation date to the measurement date using updated assumptions.

D. Actuarial Methods and Assumptions

The total OPEB liability in the July 1, 2017 actuarial valuation roll-forward 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	3.50%
Healthcare Cost Trend Rates	6.75% for 2018/2019, decreasing 0.25% a 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-2018.

The actuarial assumptions used in the July 1, 2018 valuation were selected using input from the School District based upon actual experience.

E. Change in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2018	\$ 2,085,297
Changes for the year:	
Service Cost	107,997
Interest	80,701
Changes of assumptions or other inputs	48,825
Benefit Payments	<u>(146,602)</u>
Net Changes	<u>90,921</u>
Balance at June 30, 2019	<u><u>\$ 2,176,218</u></u>

**Clairton City School District**  
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F. Changes of Assumptions and Other Inputs

- Changed the discount rate from 3.87% to 3.50%.
- Changes were made to the aging factors, the mortality table, withdrawal rates, retirement rates, participation rates, and trend rates.

G. Sensitivity of the Total 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:

	1.00% Decrease 2.50%	Current Discount Rate 3.50%	1.00% Increase 4.50%
Total OPEB Liability	\$ 2,297,059	\$ 2,176,218	\$ 2,028,400

H. Sensitivity of the Total 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:

	1.00% Decrease	Healthcare Cost Trend Rates	1.00% Increase
Total OPEB Liability	\$ 1,911,202	\$ 2,176,218	\$ 2,952,806

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

At June 30, 2019, 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
Difference between expected and actual experience	\$ -	\$ 224,966
Change of assumptions	284,141	-
	\$ 284,141	\$ 224,966

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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,	
2020	\$ 4,641
2021	4,641
2022	4,641
2023	4,641
2024	4,641
Thereafter	<u>35,970</u>
	<u>\$ 59,175</u>

**Note 13 - 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's 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 postemployment 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, 2018, there were no assumed future benefit increases to participating eligible retirees.

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

**Clairton City School District**  
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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](http://www.psers.pa.gov).

4. Benefits Provided

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, 2018, there were no assumed future benefit increases to participating eligible retirees.

Employer Contributions

The School District's contractually required contribution rate for fiscal year ended June 30, 2019 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 \$51,639 for the year ended June 30, 2019.

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

At June 30, 2019, the School District reported a liability of \$913,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, 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, 2017 to June 30, 2018. 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, 2019, the School District's proportion was 0.0438%, which was a decrease of 0.0016% from its proportion measured as of June 30, 2018.

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For the year ended June 30, 2019, the School District recognized OPEB expense of \$35,891. At June 30, 2019, 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
Difference between expected and actual experience	\$ 6,000	\$ -
Net difference between projected and actual investment earnings	2,000	-
Change in assumptions	14,000	35,000
Changes in proportions	-	35,000
Difference between employer contributions and proportionate share of total contributions	-	309
Contributions subsequent to the measurement date	51,639	-
	\$ 73,639	\$ 70,309

\$51,639 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, 2020. 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,	
2020	\$ (9,109)
2021	(9,109)
2022	(9,109)
2023	(8,980)
2024	(10,000)
Thereafter	(2,002)
	\$ (48,309)

1. Actuarial Assumptions

The total OPEB liability as of June 30, 2018 was determined by rolling forward the System's total OPEB liability at June 30, 2017 to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return – 2.98%, 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.

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- 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 actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2015.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2016 determined the employer contribution rate for fiscal year 2018.
- 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.

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	5.9%	0.03%
US Core Fixed Income	92.8%	1.20%
Non-US Developed Fixed	<u>1.3%</u>	0.04%
	<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, 2018.

**Clairton City School District**  
**Notes to Financial Statements**  
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2. Discount Rate

The discount rate used to measure the Total OPEB Liability was 2.98%. 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 2.98% which represents the S&P 20 year Municipal Bond Rate at June 30, 2018, 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, 2018, 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, 2017, 93,380 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2017, 1,077 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.

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	Healthcare Cost Trend	1.00% Increase
System net OPEB Liability	\$ 913	\$ 913	\$ 913

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 2.98%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.98%) or 1 percentage point higher (3.98%) than the current rate:

	(In Thousands)		
	1.00% Decrease	Current Discount Rate	1.00% Increase
	1.98%	2.98%	3.98%
School District's proportionate share of the net OPEB liability	\$ 1,039	\$ 913	\$ 809

**Clairton City School District**  
**Notes to Financial Statements**  
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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](http://www.psers.pa.gov).

**Note 14 - 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 \$1,437,479 and \$1,460,741 for the years ended June 30, 2019 and 2018, respectively.

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, 2019, the net position of the Consortium was \$62,172,279 of which \$327,904 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 15 - On-Behalf Payments**

The amounts recognized for revenues and expenditures for on-behalf payments relating to fringe benefits for the year ended June 30, 2019 was \$1,922,841.

This includes \$1,569,706 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 \$353,135 to the federal government for social security and Medicare taxes for the year ended June 30, 2019. 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, 2019**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local Sources				
Taxes				
Current Real Estate Taxes	\$ 2,332,851	\$ 2,332,851	\$ 2,425,822	\$ 92,971
Public Utility Realty Taxes	3,640	3,640	3,187	(453)
Payments in Lieu of Current Taxes	4,777	4,777	-	(4,777)
Business Privilege Taxes	155,000	155,000	188,530	33,530
Local Services Taxes	10,000	10,000	10,441	441
Mercantile Taxes	15,000	15,000	30,490	15,490
Earned Income Taxes	400,000	400,000	412,985	12,985
Real Estate Transfer Taxes	17,585	17,585	27,670	10,085
Delinquencies on Taxes	346,306	346,306	296,343	(49,963)
Earnings on Investments	2,500	2,500	16,681	14,181
Other Local Revenues				
Federal Revenues from IU	217,696	217,696	211,902	(5,794)
Contributions & Donations from				
Private Sources	5,000	50,000	60,764	10,764
Rentals	22,950	22,950	31,676	8,726
Admissions	21,000	21,000	13,162	(7,838)
Refund of Prior Year's Expenditures	5,000	5,000	38,136	33,136
Miscellaneous Revenue	40,000	40,000	57,755	17,755
<b>Total Revenues from Local Sources</b>	<u>3,599,305</u>	<u>3,644,305</u>	<u>3,825,544</u>	<u>181,239</u>
State Sources				
Basic Instructional & Oper. Subsidies				
Basic Instructional Subsidy	7,345,430	7,345,430	7,531,081	185,651
Tuition	-	-	83,609	83,609
Subsidies for Spec. Educ. Programs				
Special Education of Excep. Pupils	1,659,805	1,659,805	1,148,461	(511,344)
Subsidies for Noneduc. Programs				
Transportation (Regular & Additional)	249,137	249,137	321,050	71,913
Ready to Learn Block Grant	220,600	220,600	220,599	(1)
Health Services	25,000	25,000	13,855	(11,145)
State Property Tax Reduction	466,871	466,871	466,871	-
Safe Schools Grant	-	25,000	25,000	-
Social Security Payments	218,160	218,160	353,135	134,975
State Retirement Revenue	967,805	967,805	1,569,706	601,901
<b>Total Revenues from State Sources</b>	<u>11,152,808</u>	<u>11,177,808</u>	<u>11,733,367</u>	<u>555,559</u>

**Clairton City School District  
Schedule of Revenues, Expenditures  
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Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Federal Sources</b>				
Restricted Grants-In-Aid from the Fed. Gov't. through the Commonwealth				
Title I	838,960	838,960	814,199	(24,761)
Title II	102,070	102,070	58,553	(43,517)
Title III	-	-	428	428
Title IV	-	-	48,127	48,127
Title XIX	-	-	4,021	4,021
Medical Assistance - Access	100,000	100,000	72,605	(27,395)
<b>Total Revenues from Federal Sources</b>	<u>1,041,030</u>	<u>1,041,030</u>	<u>997,933</u>	<u>(43,097)</u>
<b>Total Revenues</b>	<u>15,793,143</u>	<u>15,863,143</u>	<u>16,556,844</u>	<u>693,701</u>
<b>Expenditures</b>				
<b>Instruction</b>				
<b>Regular Programs</b>				
<b>Personal Services</b>				
Salaries	3,029,796	3,027,419	3,482,401	(454,982)
Employee Benefits	2,308,882	2,307,907	2,299,991	7,916
Purchased Prof. and Tech. Services	20,261	172,180	180,228	(8,048)
Purchased Property Services	96,582	96,582	99,356	(2,774)
Other Purchased Services	1,778,758	1,778,758	1,428,294	350,464
Supplies	146,447	191,449	117,308	74,141
Other Objects	10,100	10,100	29,787	(19,687)
<b>Total Regular Programs</b>	<u>7,390,826</u>	<u>7,584,395</u>	<u>7,637,365</u>	<u>(52,970)</u>
<b>Special Programs</b>				
<b>Personal Services</b>				
Salaries	993,206	993,207	1,066,769	(73,562)
Employee Benefits	633,082	633,083	642,675	(9,592)
Purchased Prof. and Tech. Services	417,434	416,933	325,737	91,196
Other Purchased Services	981,220	981,220	1,282,602	(301,382)
Supplies	4,484	4,985	12,664	(7,679)
Other Objects	2,580	2,580	7,903	(5,323)
<b>Total Special Programs</b>	<u>3,032,006</u>	<u>3,032,008</u>	<u>3,338,350</u>	<u>(306,342)</u>

**Clairton City School District  
Schedule of Revenues, Expenditures  
and Changes in Fund Balance  
General Fund – Budget and Actual  
Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Vocational Education Programs</b>				
Personal Services				
Employee Benefits	-	8,627	4,469	4,158
Purchased Prof. and Tech. Services	-	-	2,485	(2,485)
Other Purchased Services	120,939	120,938	249,500	(128,562)
Supplies	<u>8,627</u>	<u>-</u>	<u>499</u>	<u>(499)</u>
Total Vocational Education Programs	<u>129,566</u>	<u>129,565</u>	<u>256,953</u>	<u>(127,388)</u>
<b>Other Instructional Programs</b>				
Personal Services				
Salaries	850	850	11,563	(10,713)
Employee Benefits	378	378	5,580	(5,202)
Purchased Prof. and Tech. Services	21,981	21,981	8,390	13,591
Other Purchased Services	318	318	40,681	(40,363)
Supplies	<u>897</u>	<u>897</u>	<u>-</u>	<u>897</u>
Total Other Instructional Programs	<u>24,424</u>	<u>24,424</u>	<u>66,214</u>	<u>(41,790)</u>
<b>Nonpublic School Programs</b>				
Purchased Prof. and Tech. Services	<u>-</u>	<u>-</u>	<u>3,528</u>	<u>(3,528)</u>
<b>Community Junior College</b>				
Other Purchased Services	<u>1,357</u>	<u>1,357</u>	<u>-</u>	<u>1,357</u>
<b>Total Instruction</b>	<u>10,578,179</u>	<u>10,771,749</u>	<u>11,302,410</u>	<u>(530,661)</u>
<b>Support Services</b>				
<b>Pupil Personnel</b>				
Personal Services				
Salaries	277,607	277,607	274,672	2,935
Employee Benefits	157,046	157,046	142,919	14,127
Purchased Prof. and Tech. Services	38,973	38,973	104,889	(65,916)
Purchased Property Services	9,327	9,327	6,411	2,916
Other Purchased Services	422	421	679	(258)
Supplies	19,060	19,062	15,485	3,577
Other Objects	<u>580</u>	<u>580</u>	<u>-</u>	<u>580</u>
Total Pupil Personnel	<u>503,015</u>	<u>503,016</u>	<u>545,055</u>	<u>(42,039)</u>

**Clairton City School District  
Schedule of Revenues, Expenditures  
and Changes in Fund Balance  
General Fund – Budget and Actual  
Year Ended June 30, 2019**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Instructional Staff</b>				
Personal Services				
Salaries	272,412	272,413	279,921	(7,508)
Employee Benefits	195,372	195,371	190,455	4,916
Purchased Prof. and Tech. Services	136,894	136,891	50,816	86,075
Purchased Property Services	12,101	12,101	5,008	7,093
Other Purchased Services	6,862	6,863	16,429	(9,566)
Supplies	123,845	123,844	111,599	12,245
Property	26,088	26,088	19,765	6,323
Other Objects	4,500	4,499	3,483	1,016
	<u>778,074</u>	<u>778,070</u>	<u>677,476</u>	<u>100,594</u>
<b>Total Instructional Staff</b>				
<b>Administration</b>				
Personal Services				
Salaries	741,903	741,903	765,525	(23,622)
Employee Benefits	536,517	536,518	494,335	42,183
Purchased Prof. and Tech. Services	79,120	79,121	103,039	(23,918)
Purchased Property Services	2,244	2,244	-	2,244
Other Purchased Services	2,824	2,824	9,054	(6,230)
Supplies	5,975	5,976	2,022	3,954
Other Objects	40,580	40,578	52,360	(11,782)
	<u>1,409,163</u>	<u>1,409,164</u>	<u>1,426,335</u>	<u>(17,171)</u>
<b>Total Administration</b>				
<b>Pupil Health</b>				
Personal Services				
Salaries	51,640	51,640	59,298	(7,658)
Employee Benefits	29,487	29,487	28,261	1,226
Purchased Prof. and Tech. Services	2,317	2,317	46,640	(44,323)
Purchased Property Services	-	-	213	(213)
Supplies	3,031	3,031	3,283	(252)
	<u>86,475</u>	<u>86,475</u>	<u>137,695</u>	<u>(51,220)</u>
<b>Total Pupil Health</b>				
<b>Business</b>				
Personal Services				
Salaries	102,498	102,498	188,693	(86,195)
Employee Benefits	58,539	58,540	88,169	(29,629)
Purchased Prof. and Tech. Services	11,830	11,830	7,735	4,095

**Clairton City School District  
Schedule of Revenues, Expenditures  
and Changes in Fund Balance  
General Fund – Budget and Actual  
Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Purchased Property Services	3,847	3,847	3,582	265
Other Purchased Services	21,205	21,205	12,089	9,116
Supplies	4,340	4,339	2,956	1,383
Other Objects	<u>2,447</u>	<u>2,448</u>	<u>4,897</u>	<u>(2,449)</u>
Total Business	<u>204,706</u>	<u>204,707</u>	<u>308,121</u>	<u>(103,414)</u>
<b>Oper. and Maint. of Plant Svcs.</b>				
Purchased Prof. and Tech. Services	167,695	167,695	158,242	9,453
Purchased Property Services	792,532	680,039	778,894	(98,855)
Other Purchased Services	122,266	122,266	84,454	37,812
Supplies	213,440	325,931	308,265	17,666
Property	1,820	26,821	39,202	(12,381)
Other Objects	<u>1,284</u>	<u>1,284</u>	<u>464</u>	<u>820</u>
Total Oper. and Maint. of Plant Svcs.	<u>1,299,037</u>	<u>1,324,036</u>	<u>1,369,521</u>	<u>(45,485)</u>
<b>Student Transportation Services</b>				
Personal Services				
Salaries	14,566	14,566	575	13,991
Employee Benefits	6,338	6,338	238	6,100
Other Purchased Services	<u>312,784</u>	<u>312,784</u>	<u>421,137</u>	<u>(108,353)</u>
Total Student Transportation Services	<u>333,688</u>	<u>333,688</u>	<u>421,950</u>	<u>(88,262)</u>
<b>Central</b>				
Personal Services				
Salaries	147,319	147,319	113,016	34,303
Employee Benefits	92,208	92,207	63,308	28,899
Purchased Prof. and Tech. Services	153,879	1,959	10,729	(8,770)
Other Purchased Services	2,268	2,268	906	1,362
Supplies	975	974	141	833
Other Objects	<u>201</u>	<u>201</u>	<u>-</u>	<u>201</u>
Total Central	<u>396,850</u>	<u>244,928</u>	<u>188,100</u>	<u>56,828</u>
<b>Other</b>				
Other Purchased Services	<u>6,971</u>	<u>6,972</u>	<u>4,194</u>	<u>2,778</u>
Total Support Services	<u>5,017,979</u>	<u>4,891,056</u>	<u>5,078,447</u>	<u>(187,391)</u>

**Clairton City School District  
Schedule of Revenues, Expenditures  
and Changes in Fund Balance  
General Fund – Budget and Actual  
Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Noninstructional Services				
Student Activities				
Personal Services				
Salaries	127,879	127,878	160,684	(32,806)
Employee Benefits	68,281	68,283	43,379	24,904
Purchased Prof. and Tech. Services	29,040	29,040	29,700	(660)
Purchased Property Services	8,427	8,427	9,393	(966)
Other Purchased Services	38,241	11,923	58,501	(46,578)
Supplies	38,600	38,600	53,773	(15,173)
Other Objects	745	746	19,087	(18,341)
	<u>311,213</u>	<u>284,897</u>	<u>374,517</u>	<u>(89,620)</u>
Total Student Activities				
Community Services				
Supplies	14,813	14,813	5,442	9,371
Property	8,374	8,374	5,137	3,237
Other Objects	-	-	6,075	(6,075)
	<u>23,187</u>	<u>23,187</u>	<u>16,654</u>	<u>6,533</u>
Total Community Services				
Total Noninstructional Services				
Facilities Acquisition, Construction and Improvement Services				
Purchased Prof. and Tech. Services	-	-	13,376	(13,376)
Property	-	-	36,777	(36,777)
	<u>-</u>	<u>-</u>	<u>50,153</u>	<u>(50,153)</u>
Total Facilities Acquisition, Construction and Improvement Services				
Debt Service				
Interest	33,029	33,029	201,893	(168,864)
Refunds of Prior Year's Receipts	-	-	924	(924)
Redemption of Principal	116,590	116,590	150,695	(34,105)
	<u>149,619</u>	<u>149,619</u>	<u>353,512</u>	<u>(203,893)</u>
Total Debt Service				

**Clairton City School District  
Schedule of Revenues, Expenditures  
and Changes in Fund Balance  
General Fund – Budget and Actual  
Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Other Financing Uses				
Fund Transfers				
Special Revenue Fund	<u>50,242</u>	<u>79,911</u>	<u>-</u>	<u>79,911</u>
Total Other Financing Uses	<u>50,242</u>	<u>79,911</u>	<u>-</u>	<u>79,911</u>
Total Expenditures and Other Financing Uses	<u>16,130,419</u>	<u>16,200,419</u>	<u>17,175,693</u>	<u>(975,274)</u>
Net Change in Fund Balance	(337,276)	(337,276)	(618,849)	(281,573)
Fund Balance - July 1, 2018	<u>1,025,133</u>	<u>1,025,133</u>	<u>746,568</u>	<u>(278,565)</u>
Fund Balance - June 30, 2019	<u>\$ 687,857</u>	<u>\$ 687,857</u>	<u>\$ 127,719</u>	<u>\$ (560,138)</u>

**Clairton City School District**  
**Note to the Required Supplementary Information**  
**Budget Comparison**  
**June 30, 2019**

**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 Three Years**

	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB Liability			
Service cost	\$ 107,997	\$ 101,173	\$ -
Interest	80,701	64,918	-
Difference between expected and actual experience	-	(262,460)	
Change of assumptions and other inputs	48,825	278,604	-
Benefit payments	<u>(146,602)</u>	<u>(260,863)</u>	<u>-</u>
Net Change in Total OPEB Liability	90,921	(78,628)	-
Total OPEB Liability - Beginning	<u>2,085,297</u>	<u>2,163,925</u>	<u>-</u>
Total OPEB Liability - Ending	<u>\$ 2,176,218</u>	<u>\$ 2,085,297</u>	<u>\$ 2,163,925</u>
Covered-Employee Payroll	\$ 5,210,146	\$ 5,083,069	N/A
Total OPEB Liability as a Percentage of Covered-Employee Payroll	41.77%	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:

2019	3.50%
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 Contributions  
PSERS  
Last Five Years**

	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually Required Contribution	\$ 2,013,671	\$ 1,867,479	\$ 1,736,149	\$ 1,458,432	\$ 1,211,098
Contributions in Relation to the Contractually Required Contribution	<u>2,013,671</u>	<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>				
School District's Covered Payroll	\$ 6,203,375	\$ 5,897,147	\$ 6,049,720	\$ 5,965,180	\$ 6,070,635
Contributions as a Percentage of Covered Payroll	32.46%	31.67%	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, 2018 has been revised from the prior year presentation to reflect adjustments processed by PSERS during fiscal year 2019.

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

	June 30, 2018	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)	0.0438%	0.0454%	0.0458%	0.0471%	0.0463%	0.0455%
School District's Proportionate Share of the Net Pension Liability (Asset)	\$ 21,026	\$ 22,422	\$ 22,697	\$ 20,401	\$ 18,326	\$ 18,626
School District's Covered Payroll	\$ 5,897	\$ 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	356.55%	370.61%	380.50%	336.04%	310.45%	319.21%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	54.00%	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.

**Clairton City School District  
Required Supplementary Information  
Schedule of School District's Contributions  
PSERS OPEB Plan  
Last Two Years**

	June 30, 2019	June 30, 2018
Contractually Required Contribution	\$ 51,639	\$ 49,098
Contributions in Relation to the Contractually Required Contribution	<u>51,639</u>	<u>49,098</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll	\$ 6,203,375	\$ 5,897,147
Contributions as a Percentage of Covered Payroll	0.83%	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.

The covered-payroll amount reported for June 30, 2018 has been revised from the prior year presentation to reflect adjustments processed by PSERS during fiscal year 2019.

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

	June 30, 2018	June 30, 2017
School District's Proportion of the Net OPEB Liability (Asset)	0.0438%	0.0454%
School District's Proportionate Share of the Net OPEB Liability (Asset)	\$ 913	\$ 925
School District's Covered Payroll	\$ 5,897	\$ 6,050
School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	15.48%	15.29%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	5.56%	5.73%

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**  
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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, 2019 were prepared to fulfill the requirements of the 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 15, 2020

**HOSACK, SPECHT, MUETZEL & WOOD LLP**  
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**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, and the aggregate remaining fund information of Clairton City School District as of and for the year ended June 30, 2019, 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 15, 2020.

**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 deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses as Items 2019-002 and 2019-003.

### **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 2019-001.

### **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 15, 2020

**HOSACK, SPECHT, MUETZEL & WOOD LLP**  
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**EXHIBIT B**

**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, 2019. 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.

We believe that our audit provides a reasonable basis for our qualified and modified opinions on compliance for the major federal programs. However, our audit does not provide a legal determination of Clairton City School District's compliance.

***Basis for Qualified Opinion on CFDA No. 10.555 and CFDA No. 10.553 Child Nutrition Cluster***

As described in the accompanying schedule of findings and questioned costs, Clairton City School District did not comply with requirements regarding the CFDA No. 10.555 and CFDA No. 10.553 Child Nutrition Cluster as described in finding number 2019-004 “Noncompliance – Reporting.” Compliance with such requirements is necessary, in our opinion, for the Clairton City School District to comply with the requirements applicable to that program.

***Qualified Opinion on CFDA No. 10.555 and CFDA No. 10.553 Child Nutrition Cluster***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 the CFDA No. 10.555 and CFDA No. 10.553 Child Nutrition Cluster for the year ended June 30, 2019.

***Unmodified Opinion on Each of the Other Major Federal Programs***

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 other major federal programs identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2019.

**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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

*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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item (2019-005) to be material weaknesses.

Clairton City School District's response to the internal control over compliance 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 compliance and, accordingly, we express no opinion on the response.

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 15, 2020

**Clairton City School District**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2019**

**EXHIBIT C**

**Section I - Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report was unmodified.

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 modified.

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?                                yes                        ✓      no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I
10.555 and 10.553	Child Nutrition 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  
June 30, 2019**

**EXHIBIT C**

**Section II – Financial Statement Findings**

**Finding 2019-001**

Single Audit Reporting Package

Compliance Requirements: Reporting

Type of Finding: Noncompliance

Criteria

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

Condition

The School District's reporting package was not submitted within nine months after the end of the audit period for June 30, 2018.

Context

The submission of the reporting package was 5/29/19 which was past nine months after the end of the audit period.

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.

Cause

Lack of timely filing of reporting package by management.

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.

**Finding 2019-002**

Single Audit Reporting Package

Compliance Requirements: Reporting

Type of Finding: Material Weakness in Internal Control Over Compliance

Criteria

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

Condition

The School District's reporting package was not submitted within nine months after the end of the audit period for June 30, 2018.

**Clairton City School District**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2019**

**Exhibit C**

Context

Internal controls were not present to ensure the timely submission of the reporting package.

Effect

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

Cause

Lack of internal controls to ensure timely reporting package submission.

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.

**Finding 2019-003**

Food Service Fund Monthly Meal Claim Forms

Compliance Requirements: Reporting

Type of Finding: Material Weakness in Internal Control Over Compliance

Criteria

Internal controls should be in place to ensure that management submits monthly meal claim forms.

Condition

The School District failed to file the August 2018 monthly meal claim form.

Context

The School District did not have the proper internal controls in place to submit monthly meal claim forms.

Effect

The failure to submit the August 2018 monthly meal claim form resulted in \$12,950 in state and federal subsidies reimbursements not being received.

Cause

Lack of internal controls to ensure that all monthly meal claim forms are filed timely and accurately.

Recommendation

Management should take the necessary steps to ensure internal controls are in place for timely and accurate filing of monthly meal claim forms.

**Clairton City School District**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2019**

**Exhibit C**

Response

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

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2019-004**

Federal Program: Child Nutrition Cluster, CFDA No. 10.555 and 10.553

Pass-through Entity: Pennsylvania Department of Education

Compliance Requirements: Reporting

Type of Finding: Noncompliance

Criteria

The School District must submit monthly meal claim forms for lunches and breakfasts to receive state and federal subsidies reimbursements.

Condition

The School District failed to file the August 2018 monthly meal claim form.

Context

The personnel that were involved failed to file the August 2018 monthly meal claim form due to it being the start of a new school year.

Questioned Costs

\$-0-

Effect

The School District did not receive \$12,950 in state and federal subsidies revenue for the lunches and breakfasts served in August 2018.

Cause

The School District did not file a monthly meal claim form for August 2018

Recommendation

Management should take the necessary steps to ensure that all monthly meal claim forms are filed timely and accurately.

Response

Clairton City School District agrees with this finding and will timely file its monthly meal claim forms.

**Clairton City School District**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2019**

**Exhibit C**

**Finding 2019-005**

Federal Program: Child Nutrition Cluster, CFDA No. 10.555 and 10.553

Pass-through Entity: Pennsylvania Department of Education

Compliance Requirements: Reporting

Type of Finding: Material Weakness in Internal Control Over Compliance

Criteria

Internal controls should be in place to ensure that management submits all monthly meal claim forms.

Condition

The School District failed to file the August 2018 monthly meal claim form.

Context

The internal controls that the School District had in place failed to catch the lack of not filing the August 2018 monthly meal claim form.

Questioned Costs

\$-0-

Effect

Lack of controls over submission of all monthly meal claim forms resulted in \$12,950 in state and federal subsidies not being received.

Cause

There was a lack of review in the internal controls to ensure that all monthly meal claim forms are filed timely and accurately.

Recommendation

Management should take necessary steps to ensure internal controls are in place for timely and accurate filing of monthly meal claim forms.

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 Findings and Questioned Costs  
June 30, 2019**

**Exhibit C**

**Section IV – Status of Prior Year’s Findings**

**Finding 2018-001**

Single Audit Reporting Package

Compliance Requirements: Reporting

Type of Finding: Noncompliance

Condition

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

Recommendation

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

Current Status

Unresolved

**Finding 2018-002**

Single Audit Reporting Package

Compliance Requirements: Reporting

Type of Finding: Material Weakness in Internal Control Over Compliance

Condition

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

Recommendation

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

Current Status

Unresolved

**Clairton City School District**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2019**

**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 07/01/18	Revenue Recognized	Expendi- tures	Accrued or (Deferred) Revenue 06/30/19
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	\$ 122,682	\$ 60,972	\$ 61,710	\$ 61,710	\$ -
Title I Improving Basic Programs	I	84.010	013-190084	07/02/18-09/30/19	659,151	439,465	-	659,151	659,151	219,686
Title I School Improvements - Set Aside	I	84.010	042-170084	08/11/17-09/30/18	75,630	-	(15,673)	15,673	15,673	-
Title I School Improvements - Set Aside	I	84.010	042-180084	10/31/18-09/30/19	77,665	45,305	-	77,665	77,665	32,360
						607,452	45,299	814,199	814,199	252,046
Title II Improving Teacher Quality	I	84.367	020-180084	07/01/17-09/30/18	66,069	(2,007)	(2,007)	-	-	-
Title II Improving Teacher Quality	I	84.367	020-190084	07/02/18-09/30/19	58,553	38,499	-	58,553	58,553	20,054
						36,492	(2,007)	58,553	58,553	20,054
Title IV Student Sup. and Acad. Enrichment	I	84.424	144-190084	07/02/18-09/30/19	48,127	32,085	-	48,127	48,127	16,042
Passed through the Allegheny Intermediate Unit										
Title III	I	84.365	FA-010-19-0603	07/01/18-9/30/19	428	428	-	428	428	-
Special Education Cluster										
IDEA B Section 619	I	84.173	131-18-0003	07/01/18-06/30/19	1,729	-	-	1,729	1,729	1,729
IDEA B	I	84.027	062-18-0003	07/01/17-09/30/18	219,018	219,018	219,018	-	-	-
IDEA B	I	84.027	062-19-0003	07/01/18-09/30/19	210,173	-	-	210,173	210,173	210,173
Total Special Education Cluster						219,018	219,018	211,902	211,902	211,902
Total U.S. Department of Education						895,475	262,310	1,133,209	1,133,209	500,044
U.S. Department of Health and Human Services										
Passed through the Pennsylvania Department of Public Welfare										
Medical Assistance Reimb. for Adm. Title 19	I	93.778	N/A	07/01/18-06/30/19	N/A	4,021	-	4,021	4,021	-
U.S. Department of Agriculture										
Passed through the Pennsylvania Department of Education										
National School Lunch Program	I	10.555	N/A	07/01/18-06/30/19	N/A	384,763	79,615	350,858	350,858	45,710
National School Breakfast Program	I	10.553	N/A	07/01/18-06/30/19	N/A	103,018	21,262	94,188	94,188	12,432
Passed through the Pennsylvania Department of Agriculture										
National School Lunch Program (Donated Commodities Non Cash Assistance)	I	10.555	N/A	07/01/18-06/30/19	N/A	39,810	(18,936)	42,700	42,700	(16,046)
Total Child Nutrition Cluster						527,591	81,941	487,746	487,746	42,096
Passed through the Pennsylvania Department of Education										
Fresh Fruit and Vegetable Program	I	10.582	N/A	07/01/18-06/30/19	N/A	25,928	6,470	23,449	23,449	3,991
Child Care	I	10.558	N/A	07/01/18-06/30/19	N/A	28,484	-	28,484	28,484	-
Total U.S. Department of Agriculture						582,003	88,411	539,679	539,679	46,087
Total Federal Financial Assistance						\$ 1,481,499	\$ 350,721	\$ 1,676,909	\$ 1,676,909	\$ 546,131

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, 2019**

**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, 2019. 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**

Amounts Received Per Schedule	\$ 1,481,499
Less: Commodities Received	(39,810)
Less: Passage Through AIU	(219,018)
Less: Title III	(428)
Less: Title XIX	(4,021)
Add: Refund of Title II	2,007
Add: Medical Assistance - Access	70,000
Add: State Funding on Confirmation	<u>25,577</u>
 Per Subsidy Confirmation	 <u>\$ 1,315,806</u>

**Note E - Subrecipients**

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

**Clairton City School District  
List of Report Distribution  
June 30, 2019**

**EXHIBIT E**

1 Copy – Bureau of Audits

1 Copy – Bureau of the Census