

**McKeesport Area School District  
Financial Statements  
June 30, 2023**

 Hosack, Specht  
Muetzel & Wood

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***CERTIFIED PUBLIC ACCOUNTANTS***

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**Independent Auditor's Report**

Members of the Board  
McKeesport Area School District  
McKeesport, Pennsylvania

**Opinions**

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 McKeesport Area School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise McKeesport Area School District's basic financial statements as listed in the table of contents.

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 McKeesport Area School District, as of June 30, 2023, 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.

**Basis for Opinions**

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of McKeesport Area School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Change in Accounting Principle**

As described in Note 17 to the financial statements, McKeesport Area School District adopted new accounting guidance, GASB Statement No. 96 "Subscription-Based Information Technology Arrangements". Our opinions are not modified with respect to that matter.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about McKeesport Area School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of the expressing an opinion on the effectiveness of McKeesport Area School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about McKeesport Area School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **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 is the responsibility of management and, 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.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise McKeesport Area School District's basic financial statements. The accompanying schedule of expenditures of federal awards, 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*, is presented for purposes of additional analysis 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 March 6, 2024, on our consideration of McKeesport Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 McKeesport Area 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 McKeesport Area School District's internal control over financial reporting and compliance.

*Hosack, Specht, Muetzel & Wood LLP*

HOSACK, SPECHT, MUETZEL & WOOD LLP  
Pittsburgh, Pennsylvania  
March 6, 2024

**McKeesport Area School District**  
**Management's Discussion and Analysis**  
**June 30, 2023**

The discussion and analysis of McKeesport Area School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2023. 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 financial statements and the notes to the 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 the MD&A.

**Financial Highlights**

For the 2022/2023 fiscal year, McKeesport Area School District had an increase in expenditures in two areas of significance. Expenditures for contractual salaries increased by \$775,489 or 3.01%. Payments for transportation increased by \$550,106 over 2021/2022. The Board of Directors balanced the anticipated budget by budgeting \$307,449 of the School District's fund balance, however the total expenditures were far less than what was anticipated and funding from the fund balance was not required.

**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 McKeesport Area 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 government 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 custodian for the benefit of others, to whom the resources in question belong.

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

**McKeesport Area School District  
Management's Discussion and Analysis  
June 30, 2023**

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  
McKeesport Area School District's  
Financial Report

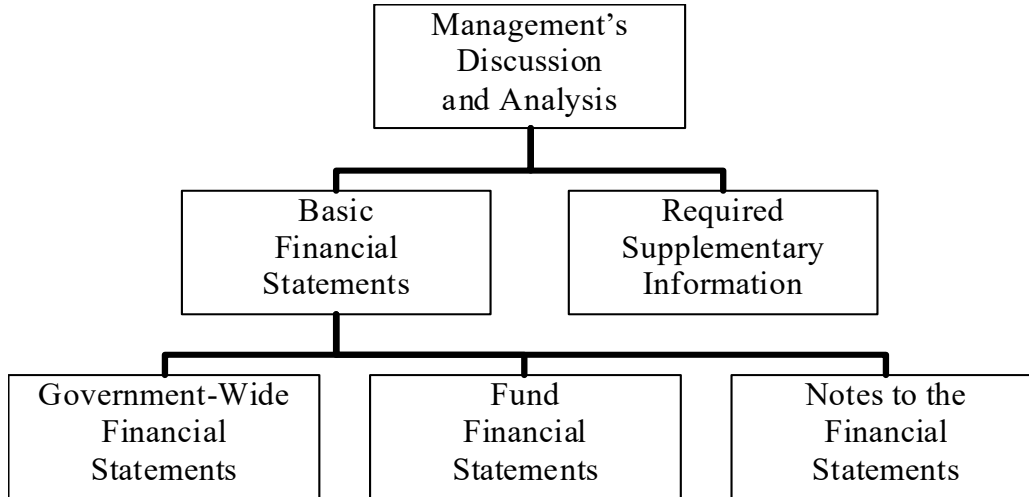


Figure A-2 summarizes the major features of the School District's financial statements, including the portion of the School District they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents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



**McKeesport Area School District  
Management's Discussion and Analysis  
June 30, 2023**

Figure A – 2  
Major Features of McKeesport Area 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

**McKeesport Area School District**  
**Management's Discussion and Analysis**  
**June 30, 2023**

**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 they have changed. Net position, the difference between the School District's assets and liabilities, is only one way to measure the School District's financial health or position.

Over time, increases or decreases in the School District's net position are 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 factors, such as changes in the School District's property tax base, mandates placed on the School District which may require additional expenditures and the reliance on sources of revenues not under the School District's control.

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.

**McKeesport Area School District  
Management's Discussion and Analysis  
June 30, 2023**

*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.

*Fiduciary funds* - The School District is the trustee, or fiduciary, for some other funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net position on Exhibit 10 and statement of change in net position on Exhibit 11. We exclude these activities from the School District's other financial statement because the School District cannot use these assets to finance its operations.

**Financial Analysis of the School District as a Whole**

The School District's total net position was a deficit \$(75,172,274) at June 30, 2023 and a deficit \$(91,349,206) at June 30, 2022.

Table A - 1  
Years Ended June 30, 2023 and 2022  
Net Position

	2023			2022		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Current and Other Assets	\$ 29,501,257	\$ 2,200,461	\$ 31,701,718	\$ 21,580,980	\$ 1,634,304	\$ 23,215,284
Capital Assets	98,352,029	439,169	98,791,198	101,214,899	463,521	101,678,420
<b>Total Assets</b>	<b>127,853,286</b>	<b>2,639,630</b>	<b>130,492,916</b>	<b>122,795,879</b>	<b>2,097,825</b>	<b>124,893,704</b>
Deferred Outflows of Resources	19,276,765	243,334	19,520,099	19,491,652	275,635	19,767,287
Current and Other Liabilities	9,194,682	93,098	9,287,780	10,956,637	64,242	11,020,879
Noncurrent Liabilities						
Due Within One Year	7,096,504	-	7,096,504	5,711,010	-	5,711,010
Due in More Than One Year	201,179,657	1,686,467	202,866,124	200,911,824	1,733,854	202,645,678
<b>Total Liabilities</b>	<b>217,470,843</b>	<b>1,779,565</b>	<b>219,250,408</b>	<b>217,579,471</b>	<b>1,798,096</b>	<b>219,377,567</b>
Deferred Inflows of Resources	5,864,597	70,284	5,934,881	16,320,641	311,989	16,632,630

**McKeesport Area School District  
Management's Discussion and Analysis  
June 30, 2023**

Table A - 1  
Years Ended June 30, 2023 and 2022  
Net Position

	2023			2022		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Net Position						
Net Investment in Capital Assets	2,226,763	439,169	2,665,932	1,014,142	463,521	1,477,663
Unrestricted	<u>(78,432,152)</u>	<u>593,946</u>	<u>(77,838,206)</u>	<u>(92,626,723)</u>	<u>(200,146)</u>	<u>(92,826,869)</u>
Total Net Position	<u>\$ (76,205,389)</u>	<u>\$ 1,033,115</u>	<u>\$ (75,172,274)</u>	<u>\$ (91,612,581)</u>	<u>\$ 263,375</u>	<u>\$ (91,349,206)</u>

Most of the School District's net position is invested in capital assets (buildings, land, and equipment). The remaining unrestricted net position is combined of designated and undesignated amounts. The designated balances are amounts set aside to fund purchases or capital projects as planned by the School District.

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 Basic Education Subsidy provided by the State of Pennsylvania and the local taxes (property and earned income) assessed to community taxpayers.

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

**McKeesport Area School District  
Management's Discussion and Analysis  
June 30, 2023**

Table A - 2  
Years Ended June 30, 2023 and 2022  
Change in Net Position

	2023			2022		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for Services	\$ -	\$ 62,244	\$ 62,244	\$ -	\$ 65,664	\$ 65,664
Operating Grants and Contribs.	28,919,394	2,787,454	31,706,848	28,478,159	2,790,045	31,268,204
Capital Grants and Contribs.	1,296,475	-	1,296,475	1,153,514	-	1,153,514
<b>General Revenues</b>						
Property Taxes	14,771,677	-	14,771,677	15,544,650	-	15,544,650
Other Taxes	3,498,992	-	3,498,992	3,313,987	-	3,313,987
<b>Grants, Subsidies and Contribs.</b>						
Unrestricted	38,196,553	-	38,196,553	30,581,914	-	30,581,914
Investment Earnings	424,433	57,156	481,589	1,983	1,342	3,325
Other	172,624	-	172,624	111,614	-	111,614
<b>Total Revenues</b>	<b>87,280,148</b>	<b>2,906,854</b>	<b>90,187,002</b>	<b>79,185,821</b>	<b>2,857,051</b>	<b>82,042,872</b>
<b>Expenses</b>						
Instruction	47,157,260	-	47,157,260	48,892,142	-	48,892,142
Instructional Student Support	3,483,608	-	3,483,608	2,909,145	-	2,909,145
Admin. and Fin. Support Svcs.	5,227,910	-	5,227,910	6,372,692	-	6,372,692
<b>Operation and Maintenance</b>						
of Plant Services	5,969,367	-	5,969,367	5,642,506	-	5,642,506
Pupil Transportation	3,421,223	-	3,421,223	2,956,923	-	2,956,923
Student Activities	1,231,131	-	1,231,131	1,165,194	-	1,165,194
Community Services	167,692	-	167,692	175,143	-	175,143
Interest on Long-Term Debt	5,212,796	-	5,212,796	4,553,020	-	4,553,020
Food Service	-	2,137,114	2,137,114	-	1,659,083	1,659,083
<b>Total Expenses</b>	<b>71,870,987</b>	<b>2,137,114</b>	<b>74,008,101</b>	<b>72,666,765</b>	<b>1,659,083</b>	<b>74,325,848</b>
Increase (Decrease) in Net Position	15,409,161	769,740	16,178,901	6,519,056	1,197,968	7,717,024
Beginning Net Position-Restated	(91,614,550)	263,375	(91,351,175)	(98,131,637)	(934,593)	(99,066,230)
Ending Net Position	<u>\$ (76,205,389)</u>	<u>\$ 1,033,115</u>	<u>\$ (75,172,274)</u>	<u>\$ (91,612,581)</u>	<u>\$ 263,375</u>	<u>\$ (91,349,206)</u>

**McKeesport Area School District  
Management's Discussion and Analysis  
June 30, 2023**

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, interest on debt, 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, 2023 and 2022  
Governmental Activities

	<b>2023</b>		<b>2022</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	\$ 47,157,260	\$27,205,719	\$ 48,892,142	\$29,158,068
Instructional Student Support	3,483,608	246,803	2,909,145	173,064
Admin. and Fin. Support Svcs.	5,227,910	3,471,524	6,372,692	4,552,402
Operation and Maintenance of Plant Services	5,969,367	4,634,198	5,642,506	4,380,418
Pupil Transportation	3,421,223	1,861,906	2,956,923	1,066,599
Student Activities	1,231,131	1,042,570	1,165,194	1,010,431
Community Services	167,692	(6,693)	175,143	4,683
Interest on Long-Term Debt	<u>5,212,796</u>	<u>3,199,091</u>	<u>4,553,020</u>	<u>2,689,427</u>
<b>Total Governmental Activities</b>	<b><u>\$ 71,870,987</u></b>	<b>41,655,118</b>	<b><u>\$ 72,666,765</u></b>	<b>43,035,092</b>
<b>Less:</b>				
Unrestricted Grants, Subsidies		<u>(38,196,553)</u>		<u>(30,581,914)</u>
<b>Total Needs from Local Taxes and Other Revenues</b>		<b><u>\$ 3,458,565</u></b>		<b><u>\$12,453,178</u></b>

**McKeesport Area School District  
Management's Discussion and Analysis  
June 30, 2023**

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, 2023 and 2022  
Business-Type Activities

	<b>2023</b>		<b>2022</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>\$2,137,114</u>	\$ (712,584)	<u>\$ 1,659,083</u>	\$ (1,196,626)
Add/Less:				
Investment Earnings		<u>(57,156)</u>		<u>(1,342)</u>
Total Business-Type Activities		<u>\$ (769,740)</u>		<u>\$ (1,197,968)</u>

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

**School District Funds**

At June 30, 2023, the School District's general fund had a fund balance of \$16,505,305, which was an increase of \$9,498,419 from the June 30, 2022 fund balance. Considering that the budget projected an increase of only \$307,449 of the School District's fund balance, the actual results of the fiscal year were positive. The primary reasons for this are that total expenditures came in below budget by \$1,475,197. Revenues came in over budget with the most significant areas being in the additional federal revenues provided through ESSERS and the State Level up Grant, as well as other federal and state revenues for additional grants applied for and received by the School District.

In addition to the general fund, the School District has both a capital reserve and a capital projects fund which are both part of its governmental activities. The School District has completed its major construction/renovation program and both of these funds were established to provide for the costs of these School District facility improvements. A small balance remains in these funds for minor work remaining in the School District. However, the district is looking at the need to invest considerable assets to address aging infrastructure, roof replacement and resurfacing of the parking areas.

**McKeesport Area School District  
Management's Discussion and Analysis  
June 30, 2023**

General Fund Budget

During the fiscal year, the Board of School Directors authorizes budgetary transfers to the original budget to accommodate differences from the original budget to the actual expenditures of the School District. All budgetary transfers are confirmed at the time the annual audit is accepted, after the end of the fiscal year. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in the audit report. Transfers between specific categories of expenditures occur during the year.

**Capital Assets and Debt Administration**

Capital Assets

At June 30, 2023, the School District had \$97,583,035 invested in a broad range of capital assets, including land, buildings, furniture and equipment. This amount reflects a net decrease (including additions, deletions and depreciation) of \$3,161,892, or 3.1% from the year ending June 30, 2022.

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

	<b>2023</b>	<b>2022</b>
Land and Land Improvements	\$ 2,121,442	\$ 2,197,609
Buildings and Building Improvements	94,929,046	97,915,891
Furniture and Equipment	532,547	631,427

Debt Administration

As of July 1, 2022, the School District included in its long-term liabilities \$119,298,114 for general obligation bonds and notes payable. During the year, the School District issued no new debt and had accretions in the amount of \$1,281,748 and retirements of \$6,565,000 in general obligation bonds and notes resulting in an ending balance of \$114,014,862.

Table A - 6  
Outstanding Debt

General Obligation Bonds/Notes	As of 06/30/23	As of 06/30/22
Bonds - Series of 1997D	\$ 3,901,909	\$ 4,956,324
Bonds - Series of 1999C	9,254,188	9,302,212
Bonds - Series of 2001	2,688,855	2,546,104
Bonds - Series of 2003B	2,581,068	2,446,188
Bonds - Series of 2005B	4,056,946	3,855,794
Bonds - Series of 2005B-1	1,606,896	1,526,492
Bonds - Series of 2011(QSCB)	4,000,000	5,000,000



**McKeesport Area School District  
Management's Discussion and Analysis  
June 30, 2023**

Table A - 6  
Outstanding Debt

General Obligation Bonds/Notes	As of 06/30/23	As of 06/30/22
Bonds - Series of 2017A	3,570,000	3,995,000
Bonds - Series of 2017B	5,600,000	5,760,000
Bonds - Series of 2019A	6,190,000	6,205,000
Bonds - Series of 2019B	3,770,000	3,775,000
Bonds - Series of 2020A	2,995,000	3,550,000
Bonds - Series of 2020B	8,310,000	8,310,000
Bonds - Series of 2021A	24,740,000	26,760,000
Bonds - Series of 2021B	29,240,000	29,245,000
Notes - Series of 2016	1,510,000	2,065,000

**Economic Factors and Next Year's Budgets and Rates**

The school district does not expect any significant increase or growth in local revenues. In fact, local revenue is anticipated to decrease due to a recent court ruling reducing the common ratio used in Allegheny County to determine the assessed value of property from 81% to 64%. This ruling is being appealed and the final outcome is unknown at present. However, if the ruling stands, it would negatively impact the district and potentially reduce the local tax effort by as much as \$9,000,000. The millage rate for real estate taxes for 2022/2023 was 20.96 mills, the same as it was for 2021/2022, 2020/2021 and 2019/2020. No increase in the millage rate is anticipated for fiscal year 2023/2024. The millage rate continues to be well below the average among school districts in Allegheny County. In addition, the School District provided a homestead exclusion for all eligible homesteads. This effectively reduced collected Real Estate Taxes by \$3,074,153. Expenditures increased by \$2,109,551 or 2.77% due to the following main factors. Budgeted salaries increased by \$775,489 or 3.01%, the budget for retirement contributions increased along with the costs for transportation and health insurance. Health insurance is anticipated to increase again for the upcoming fiscal year.

Total revenue did increase due to an increase in both federal and state funding. Actual expenditures for the fiscal year were far less than projected resulting in substantial savings to the district and an increase in the fund balance by \$9,498,419. The School District anticipated the change in fund balance to be only \$307,449. It is anticipated that it will not be necessary to use the fund balance to support the budgeted during 2023/2024.

**McKeesport Area School District  
Management's Discussion and Analysis  
June 30, 2023**

The comparison of revenue and expenditure categories is as follows:

Table A - 7

	Budgeted Revenue 2023/2024	Actual Revenue 2022/2023
Local	21.6%	24.1%
State	61.2%	62.4%
Federal	17.2%	12.8%
Other Financing Sources	0.0%	0.7%
	Budgeted Expenditures 2023/2024	Actual Expenditures 2022/2023
Instruction	61.3%	61.0%
Support Services	26.1%	24.2%
Noninstructional Services	1.8%	1.8%
Fund Transfers/Debt/Other	10.8%	13.0%

**Special Session Act 1 - The Taxpayer Relief Act**

On July 27, 2006, Governor Edward Rendell signed into law Special Sessions Act 1, also known as the Taxpayer Relief Act, which changed various aspects of Act 72 in 2004, originally signed into law in July 2004. Act 72 established a distribution system mechanism for new revenues that are expected to be available from the legalization of slot machines in various areas around the state. The main objective of the law was to increase state funding for education, thereby reducing local property taxes given the relative dependence of local school districts on such taxes.

One significant change contained in the new legislation is the expansion of property tax rate limits to all school districts in the state. Beginning in the 2007/2008 fiscal year, school districts will be required to hold tax rate increases to an annual index based on the average increase in the statewide average weekly wage and the employment cost index for schools. School districts may seek a variety of exemptions to the limit that need approval either from the Court of Common Pleas or the Pennsylvania Department of Education. School districts that do not seek an exemption will be required to hold a referendum in order to increase the property tax millage beyond the index.

**Contacting the School District Financial Management**

Our financial report provides 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 funds it receives. If you have questions about this report, please contact the Business Office at McKeesport Area School District, 3590 O'Neil Boulevard, McKeesport, PA 15132, 412-664-3600.

**McKeesport Area School District**  
**Statement of Net Position**  
**June 30, 2023**

**Exhibit 1**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 18,695,512	\$ 2,058,004	\$ 20,753,516
Taxes Receivable, Net	5,411,691	-	5,411,691
Internal Balances	(44,141)	44,141	-
Due From Other Governments	5,052,466	54,896	5,107,362
Other Receivables	385,729	3,593	389,322
Inventories	-	39,827	39,827
Capital Assets not Being Depreciated			
Land	1,204,697	-	1,204,697
Building and Building Improvements	350,000	-	350,000
Capital Assets, Net of Accumulated Depreciation			
Land Improvements	916,745	-	916,745
Building & Building Improvements	94,579,046	-	94,579,046
Furniture & Equipment	532,547	439,169	971,716
Intangible Right-to-Use Assets, Net of Amortization	768,994	-	768,994
<b>TOTAL ASSETS</b>	<b>127,853,286</b>	<b>2,639,630</b>	<b>130,492,916</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Charge on Refunding	5,727,475	-	5,727,475
Amounts Related to OPEB - PSERS	687,904	13,450	701,354
Amounts Related to Pension	12,861,386	229,884	13,091,270
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>19,276,765</b>	<b>243,334</b>	<b>19,520,099</b>
<b>LIABILITIES</b>			
Accounts Payable	3,130,704	69,927	3,200,631
Contracts Payable	328,787	-	328,787
Accrued Salaries and Benefits	5,036,790	-	5,036,790
Unearned Revenues	-	19,512	19,512
Other Current Liabilities	18,696	3,659	22,355
Accrued Interest	679,705	-	679,705
Noncurrent Liabilities:			
Due Within One Year	7,096,504	-	7,096,504
Due in More Than One Year:			
Notes Payable	945,000	-	945,000
Leases Payable	224,265	-	224,265
Subscription Payable	304,186	-	304,186
Financing Agreements Payable	73,649	-	73,649
Compensated Absences	1,465,479	11,405	1,476,884
Bonds Payable	110,290,546	-	110,290,546
Other Post-Employment Benefits - District	7,001,594	-	7,001,594
Other Post-Employment Benefits - PSERS	3,213,449	66,551	3,280,000
Net Pension Liability	77,661,489	1,608,511	79,270,000
<b>TOTAL LIABILITIES</b>	<b>217,470,843</b>	<b>1,779,565</b>	<b>219,250,408</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Amounts Related to OPEB - District	2,471,109	-	2,471,109
Amounts Related to OPEB - PSERS	868,483	17,987	886,470
Amounts Related to Pension	2,525,005	52,297	2,577,302
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>5,864,597</b>	<b>70,284</b>	<b>5,934,881</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	2,226,763	439,169	2,665,932
Unrestricted	(78,432,152)	593,946	(77,838,206)
<b>TOTAL NET POSITION</b>	<b>\$ (76,205,389)</b>	<b>\$ 1,033,115</b>	<b>\$ (75,172,274)</b>

See Accompanying Notes

**McKeesport Area School District  
Statement of Activities  
Year Ended June 30, 2023**

**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	\$ 47,157,260	\$ -	\$ 19,951,541	\$ -	\$ (27,205,719)	\$ -	\$ (27,205,719)
Instructional Student Support	3,483,608	-	3,236,805	-	(246,803)	-	(246,803)
Administrative and Financial Support Services	5,227,910	-	1,756,386	-	(3,471,524)	-	(3,471,524)
Operation and Maintenance of Plant Services	5,969,367	-	1,335,169	-	(4,634,198)	-	(4,634,198)
Pupil Transportation	3,421,223	-	1,559,317	-	(1,861,906)	-	(1,861,906)
Student Activities	1,231,131	-	188,561	-	(1,042,570)	-	(1,042,570)
Community Services	167,692	-	174,385	-	6,693	-	6,693
Interest on Long-Term Debt	5,212,796	-	717,230	1,296,475	(3,199,091)	-	(3,199,091)
<b>Total Governmental Activities</b>	<b>71,870,987</b>	<b>-</b>	<b>28,919,394</b>	<b>1,296,475</b>	<b>(41,655,118)</b>	<b>-</b>	<b>(41,655,118)</b>
<b>Business-Type Activities:</b>							
Food Service	2,137,114	62,244	2,787,454	-	-	712,584	712,584
<b>Total Primary Government</b>	<b>\$ 74,008,101</b>	<b>\$ 62,244</b>	<b>\$ 31,706,848</b>	<b>\$ 1,296,475</b>	<b>(41,655,118)</b>	<b>712,584</b>	<b>(40,942,534)</b>
<b>General Revenues</b>							
<b>Taxes</b>							
Property Taxes Levied for General Purposes, Net					14,771,677	-	14,771,677
Earned Income Taxes					2,594,926	-	2,594,926
Business Privilege Taxes					431,335	-	431,335
Mercantile Taxes					160,911	-	160,911
Real Estate Transfer Taxes					240,873	-	240,873
Other Taxes Levied for General Purposes, Net					70,947	-	70,947
Grants, Subsidies and Contributions not Restricted					38,196,553	-	38,196,553
Investment Earnings					424,433	57,156	481,589
Miscellaneous Income					172,624	-	172,624
<b>Total General Revenues</b>					<b>57,064,279</b>	<b>57,156</b>	<b>57,121,435</b>
<b>Change in Net Position</b>					<b>15,409,161</b>	<b>769,740</b>	<b>16,178,901</b>
<b>Net Position - July 1, 2022 (Restated See Note 17)</b>					<b>(91,614,550)</b>	<b>263,375</b>	<b>(91,351,175)</b>
<b>Net Position - June 30, 2023</b>					<b>\$ (76,205,389)</b>	<b>\$ 1,033,115</b>	<b>\$ (75,172,274)</b>

See Accompanying Notes

**McKeesport Area School District**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2023**

**Exhibit 3**

	General Fund	Debt Service Fund	Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 18,515,936	\$ 81,230	\$ 98,346	\$ 18,695,512
Taxes Receivable, Net	5,411,691	-	-	5,411,691
Due from Other Governments	5,052,466	-	-	5,052,466
Other Receivables	385,729	-	-	385,729
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>TOTAL ASSETS</b>	<u><u>\$ 29,365,822</u></u>	<u><u>\$ 81,230</u></u>	<u><u>\$ 98,346</u></u>	<u><u>\$ 29,545,398</u></u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Due to Other Funds	\$ 44,141	\$ -	\$ -	\$ 44,141
Accounts Payable	3,130,704	-	-	3,130,704
Contracts Payable	-	-	328,787	328,787
Accrued Salaries and Benefits	5,036,790	-	-	5,036,790
Other Current Liabilities	18,696	-	-	18,696
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total Liabilities</b>	<u>8,230,331</u>	<u>-</u>	<u>328,787</u>	<u>8,559,118</u>
<b>Deferred Inflows of Resources</b>				
Unavailable Revenues - Property Taxes	4,630,186	-	-	4,630,186
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Fund Balances</b>				
Restricted	-	81,230	-	81,230
Committed	-	-	25,288	25,288
Assigned	7,011,305	-	-	7,011,305
Unassigned	9,494,000	-	(255,729)	9,238,271
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total Fund Balances</b>	<u>16,505,305</u>	<u>81,230</u>	<u>(230,441)</u>	<u>16,356,094</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u><u>\$ 29,365,822</u></u>	<u><u>\$ 81,230</u></u>	<u><u>\$ 98,346</u></u>	<u><u>\$ 29,545,398</u></u>

See Accompanying Notes

**McKeesport Area School District**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**June 30, 2023**

**Exhibit 4**

Total Fund Balances - Governmental Funds \$ 16,356,094

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 \$148,554,894, and the accumulated depreciation is \$50,971,856. 97,583,035

Intangible right-to-use assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The value of these assets is \$1,319,821 and the accumulated amortization is \$550,827. 768,994

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. 4,630,186

Premium and discounts on bonds issued and refunded are capitalized and amortized over the life of the bonds in the statement of net position. (3,882,012)

Deferred charges on refunding bonds issued are amortized over the life of the bonds as deferred outflows of resources in the statement of net position. 5,727,475

Long-term liabilities, including bonds, note, financing and leases 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:

Bonds Payable	\$ (112,504,862)	
Accrued Interest on the Bonds	(679,705)	
Leases Payable	(353,719)	
Subscription Payable	(430,220)	
Financing Agreement Payable	(143,032)	
Notes Payable	(1,510,000)	
Other Post-Employment Benefits Payable - District	(7,001,594)	
Compensated Absences	<u>(1,575,784)</u>	(124,198,916)

**McKeesport Area School District  
Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Position  
June 30, 2023**

**Exhibit 4**

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.

OPEB Liability - PSERS	(3,213,449)	
Net Pension Liability	<u>(77,661,489)</u>	(80,874,938)

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	12,861,386	
Deferred Inflows of Resources Related to Pensions	(2,525,005)	
Deferred Inflows of Resources Related to OPEB - District	(2,471,109)	
Deferred Outflows of Resources Related to OPEB - PSERS	687,904	
Deferred Inflows of Resources Related to OPEB - PSERS	<u>(868,483)</u>	<u>7,684,693</u>

Total Net Position - Governmental Activities		<u><u>\$ (76,205,389)</u></u>
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See Accompanying Notes

**McKeesport Area School District**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2023**

**Exhibit 5**

	General Fund	Debt Service Fund	Nonmajor Funds	Total Governmental Funds
<b>Revenues</b>				
Local Sources	\$ 21,189,092	\$ 2,441	\$ 3,423	\$ 21,194,956
State Sources	54,762,880	-	-	54,762,880
Federal Sources	11,215,546	-	-	11,215,546
	<u>87,167,518</u>	<u>2,441</u>	<u>3,423</u>	<u>87,173,382</u>
<b>Total Revenues</b>				
<b>Expenditures</b>				
Instruction	47,760,530	-	-	47,760,530
Support Services	18,981,998	-	-	18,981,998
Noninstructional Services	1,365,161	-	-	1,365,161
Debt Service (Principal & Interest)	299,016	9,840,268	-	10,139,284
Refunds of Prior Year's Receipts	50,806	-	-	50,806
	<u>68,457,511</u>	<u>9,840,268</u>	<u>-</u>	<u>78,297,779</u>
<b>Total Expenditures</b>				
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>18,710,007</u>	<u>(9,837,827)</u>	<u>3,423</u>	<u>8,875,603</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	-	9,840,260	-	9,840,260
Leases & Other Right to Use Arrangements	408,028	-	-	408,028
Other Extended Term Financing Proceeds	220,644	-	-	220,644
Transfers Out	(9,840,260)	-	-	(9,840,260)
	<u>(9,211,588)</u>	<u>9,840,260</u>	<u>-</u>	<u>628,672</u>
<b>Total Other Financing Sources (Uses)</b>				
<b>Net Change in Fund Balances</b>	9,498,419	2,433	3,423	9,504,275
<b>Fund Balances - July 1, 2022</b>	<u>7,006,886</u>	<u>78,797</u>	<u>(233,864)</u>	<u>6,851,819</u>
<b>Fund Balances - June 30, 2023</b>	<u>\$ 16,505,305</u>	<u>\$ 81,230</u>	<u>\$ (230,441)</u>	<u>\$ 16,356,094</u>

See Accompanying Notes



**McKeesport Area School District  
 Reconciliation of the Governmental Funds  
 Statement of Revenues, Expenditures  
 and Changes in Fund Balances  
 to the Statement of Activities  
 Year Ended June 30, 2023**

**Exhibit 6**

Total Net Change in Fund Balances - Governmental Funds \$ 9,504,275

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 difference between depreciation, amortization and capital outlays in the period.

Depreciation Expense	\$ (3,161,892)	
Capital Outlays	408,028	
Intangible Right-to-Use Assets Amortization	(204,558)	(2,958,422)

Payments for the intangible right-to-use assets are reported as principal and interest in governmental funds, but in the statement of activities, the asset is amortized and the repayment reduces the long-term liabilities in the statement of net position. 201,087

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. 157,572

Repayment of bond, note and financing agreements principal is an expenditure in the governmental funds, but the repayment reduces long term liabilities in the statement of net position. 6,642,612

Lease and Financing agreement proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balances. In the government-wide financial statements, however, issuing debt increases long term liabilities in the statement of net position and does not affect the statement of activities. The proceeds were: (628,672)

**McKeesport Area School District  
Reconciliation of the Governmental Funds  
Statement of Revenues, Expenditures  
and Changes in Fund Balances  
to the Statement of Activities  
Year Ended June 30, 2023**

**Exhibit 6**

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	116,459	
Other Post-Employment Benefits - District	793,741	
Other Post-Employment Benefits - PSERS	<u>88,026</u>	998,226

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	20,385	
Accretion of Interest on Capital Appreciation Bonds	<u>(1,281,748)</u>	(1,261,363)

Bond discount, insurance and deferred charges on bonds are reported in the statement of revenues and expenditures of governmental funds as expenditures but are capitalized and amortized over the life of the bonds in the statement of activities.

Amortization of Discount, Premium, Insurance and Deferred Loss on Refunding		(655,848)
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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	8,880,830	
Cost of Benefits Earned	<u>(5,471,136)</u>	<u>3,409,694</u>

Change in Net Position of Governmental Activities		<u>\$ 15,409,161</u>
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See Accompanying Notes

**McKeesport Area School District**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2023**

**Exhibit 7**

	Food Service Fund
<b>ASSETS</b>	
Current Assets	
Cash and Cash Equivalents	\$ 2,058,004
Due From Other Funds	44,141
Due From Other Governments	54,896
Other Receivables	3,593
Inventories	<u>39,827</u>
Total Current Assets	<u>2,200,461</u>
Noncurrent Assets	
Machinery and Equipment, Net	<u>439,169</u>
<b>TOTAL ASSETS</b>	<u><b>2,639,630</b></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Amounts Related to OPEB PSERS	13,450
Amounts Related to Pensions	<u>229,884</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u><b>243,334</b></u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts Payable	69,927
Unearned Revenues	19,512
Other Current Liabilities	<u>3,659</u>
Total Current Liabilities	<u>93,098</u>
Noncurrent Liabilities	
Long-Term Portion of Compensated Absences	11,405
Net OPEB Liability -PSERS	66,551
Net Pension Liability	<u>1,608,511</u>
Total Noncurrent Liabilities	<u>1,686,467</u>
<b>TOTAL LIABILITIES</b>	<u><b>1,779,565</b></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Amounts Related to OPEB PSERS	17,987
Amounts Related to Pensions	<u>52,297</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u><b>70,284</b></u>
<b>NET POSITION</b>	
Invested in Capital Assets	439,169
Unrestricted	<u>593,946</u>
<b>TOTAL NET POSITION</b>	<u><b>\$ 1,033,115</b></u>

See Accompanying Notes

**McKeesport Area School District**  
**Statement of Revenues, Expenses and Changes**  
**in Net Position**  
**Proprietary Funds**  
**Year Ended June 30, 2023**

**Exhibit 8**

	Food Service Fund
Operating Revenues	
Food Service Revenue	<u>\$ 62,244</u>
Operating Expenses	
Salaries	436,935
Employee Benefits	185,379
Purchased Property Services	33,539
Other Purchased Services	1,354,612
Supplies	309,359
Depreciation	65,205
Other Operating Expenditures	<u>1,611</u>
Total Operating Expenses	<u>2,386,640</u>
Operating Income (Loss)	<u>(2,324,396)</u>
Nonoperating Revenues (Expenses)	
Earnings on Investments	57,156
State Sources	163,572
Federal Sources	2,623,882
Change in Net Pension Liability/OPEB	<u>249,526</u>
Total Nonoperating Revenues (Expenses)	<u>3,094,136</u>
Change in Net Position	769,740
Net Position - July 1, 2022	<u>263,375</u>
Net Position - June 30, 2023	<u>\$ 1,033,115</u>

See Accompanying Notes

**McKeesport Area School District  
Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2023**

**Exhibit 9**

	Food Service Fund
Cash Flows from Operating Activities	
Cash Received from Users	\$ 58,219
Cash Payments to Employees for Services	(629,579)
Cash Payments to Suppliers for Goods and Services	(1,514,319)
Cash Payments for Other Operating Expenses	<u>(1,611)</u>
Net Cash Provided by (Used for) Operating Activities	<u>(2,087,290)</u>
Cash Flows from Non-Capital Financing Activities	
State Sources	162,781
Federal Sources	<u>2,438,934</u>
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>2,601,715</u>
Cash Flows from Capital and Related Financing Activities	
Facilities Acquisition/Const./Imp.Serv	<u>(40,853)</u>
Cash Flows from Investing Activities	
Earnings on Investments	<u>57,156</u>
Net Increase (Decrease) in Cash and Cash Flows	530,728
Cash and Cash Equivalents - July 1, 2022	<u>1,527,276</u>
Cash and Cash Equivalents - June 30, 2023	<u>\$ 2,058,004</u>

**McKeesport Area School District  
Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2023**

**Exhibit 9**

	Food Service Fund
Operating Income (Loss)	\$ (2,324,396)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities	
Depreciation	65,205
Donated Commodities	162,220
(Increase) Decrease in Accounts Receivable	(29,161)
(Increase) Decrease in Inventories	8,514
Increase (Decrease) in Accounts Payable	38,025
Increase (Decrease) in Accrued Salaries and Benefits	(7,265)
Increase (Decrease) in Other Current Liabilities	<u>(432)</u>
Total Adjustments	<u>237,106</u>
Cash Provided by (Used for) Operating Activities	<u>\$ (2,087,290)</u>

Noncash Non-Capital Financing Activities

During the year ended June 30, 2023, the School District received \$153,483 of U.S.D.A Donated Commodities in the food service fund.

See Accompanying Notes

**McKeesport Area School District**  
**Statement of Net Position**  
**Fiduciary Funds**  
**June 30, 2023**

**Exhibit 10**

	Custodial Fund
ASSETS	
Cash and Cash Equivalents	<u>\$ 125,877</u>
NET POSITION	
Restricted for:	
Student Groups	<u>\$ 125,877</u>

See Accompanying Notes

**McKeesport Area School District  
Statement of Change in Net Position  
Fiduciary Funds  
Year Ended June 30, 2023**

**Exhibit 11**

	Custodial Fund
Additions	
Revenue from Student Activities	\$ 123,058
Interest Earnings	<u>1,732</u>
Total Additions	<u>124,790</u>
Deductions	
Student Activities Program Expenses	<u>112,916</u>
Change in Net Position	11,874
Net Position - July 1, 2022	<u>114,003</u>
Net Position - June 30, 2023	<u>\$ 125,877</u>

See Accompanying Notes



**McKeesport Area School District**  
**Notes to Financial Statements**  
**June 30, 2023**

**Note 1 - Summary of Significant Accounting Policies**

McKeesport Area School District, located in Allegheny County, Pennsylvania, provides public education, kindergarten through twelfth grade, to the residents of the Boroughs of Dravosburg, Versailles, and White Oak and the Township of South Versailles and the City of McKeesport. 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 McKeesport Area 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 the following major governmental funds and fund types:

**McKeesport Area School District**  
**Notes to Financial Statements**  
**June 30, 2023**

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 *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

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

The *capital projects fund* accounts for financial resources to be used for the acquisition of construction of major capital facilities or equipment (other than those financed by proprietary funds).

The *capital reserve fund*, a capital projects fund type, accounts for financial resources to be used for the acquisition or construction of major capital facilities or equipment (other than those financed by proprietary funds).

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 custodial 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 trust funds, investment trust funds, private purpose trust funds, or custodial funds). The School District reports the following fiduciary fund type:

The *custodial fund* represents the School District's student activity funds. These funds account for student activities in the high 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.

**McKeesport Area School District**  
**Notes to Financial Statements**  
**June 30, 2023**

Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e. the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

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

C. Measurement Focus and Basis of Accounting

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

The government-wide financial statements, proprietary fund and fiduciary 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).

**McKeesport Area School District**  
**Notes to Financial Statements**  
**June 30, 2023**

All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary fund and the custodial fund are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

D. Cash and Cash Equivalents

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

E. 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.

F. 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 approved various budget transfers throughout the school year. There were no supplemental budgetary appropriations made during the year ended June 30, 2023.

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.

**McKeesport Area School District**  
**Notes to Financial Statements**  
**June 30, 2023**

G. 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”.

H. 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, 2023.

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, 2023 are reported as unearned revenue.

I. 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.

J. 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 \$2,500 and an estimated useful life in excess of one year. Management has elected to include certain homogeneous asset categories with individual assets less than \$2,500 as composite groups for financial reporting purposes. In addition, capital assets purchased with long-term debt may be capitalized regardless of the thresholds established. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

**McKeesport Area School District**  
**Notes to Financial Statements**  
**June 30, 2023**

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

Assets	Years
Buildings	40
Building Improvements	20
Land Improvements	20
Furniture	15
Vehicles	7
Equipment	5-15
Computers	5

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

**K. Intangible Right-to-Use Assets**

The School District has recorded intangible right-to-use assets as a result of implementing Governmental Accounting Standards Board (GASB) Statements No. 87 and No. 96. The right-to-use assets are initially measured at an amount equal to the initial measurement of the related lease/subscription liability plus any payment made prior to the term, less any incentives, and plus any ancillary charges necessary to place the asset into service. The right-to-use assets are amortized on a straight-line basis over the life of the related lease/subscriptions.

**L. 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 discount are reported as deferred charges and amortized over the term of the related debt.

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

**M. 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.

**McKeesport Area School District**  
**Notes to Financial Statements**  
**June 30, 2023**

N. 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.

O. 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 assets that applies to future periods and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The School District has two items that qualify for reporting in this category. One is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other is related to the participation in the cost sharing defined benefit pension plan. The School District reports no deferred outflows of resources in the fund financial statements.

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

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".

**McKeesport Area School District**  
**Notes to Financial Statements**  
**June 30, 2023**

Fund Statements - Fund Balance

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

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

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

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

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

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 purpose of the restricted, committed and assigned fund balance as of June 30, 2023, is as follows:

1. The restricted fund balance in the debt service fund of \$81,230 is for future debt service payments.
2. The purpose of committed fund balance in nonmajor funds - capital reserve fund - of \$25,288 is for future capital purposes.
3. The deficit fund balance in the capital project fund of \$255,729 will be funded in the next year with transfers from the general fund.
4. The purpose of assigned fund balance in the general fund of \$7,011,305 is for future capital expenditures in the amount of \$2,000,000 and for future year's expenditures for budget shortfalls in the amount of \$5,011,305.



**McKeesport Area School District**  
**Notes to Financial Statements**  
**June 30, 2023**

**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, 2023, \$3,078,472 of the School District's bank balance of \$3,659,702 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>\$3,078,472</u>

As of June 30, 2023, the School District had the following investments:

Investments	Fair Value
PLGIT	\$ 2,154
PSDLAF	<u>18,370,344</u>
Totals	<u>\$18,372,498</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.

**Custodial Credit Risk** - For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The investments listed above, excluding PLGIT and PSDLAF, are held by the counterparty or the counterparty's trust department but not in the School District's name.

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

**McKeesport Area School District**  
**Notes to Financial Statements**  
**June 30, 2023**

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. The funds 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 are the same as the values of PSDLAF and PLGIT shares. There are no limitations or restrictions on withdrawals.

The School District had no instruments to disclose fair value measurements within the financial value hierarchy as of June 30, 2023.

**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 2022/2023 was 20.96 mills (\$20.96 per \$1,000 assessed valuation). The tax calendar for real estate taxes levied for 2022/2023 is as follows:

Tax Levy Date	July 1, 2022
2% Discount Period	Through August 31, 2022
Face Payment Period	September 1 – October 31, 2022
10% Penalty Period	After November 1, 2022 Until Liened
Lien Filing Date	February 1, 2023

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 \$4,630,186, net of estimated uncollectible of \$13,890,559, along with other taxes receivable of \$781,505.

**McKeesport Area School District**  
**Notes to Financial Statements**  
**June 30, 2023**

**Note 4 - Due from Other Governments**

Amounts due from other governments represent receivables for revenues earned by the School District. At June 30, 2023, the following amounts are due from other governmental units:

	Governmental Funds	Business-Type Funds	Totals
Federal (through the state)	\$ 1,733,926	\$ 53,147	\$ 1,787,073
State	3,073,285	1,749	3,075,034
Local	245,255	-	245,255
	<u>\$ 5,052,466</u>	<u>\$ 54,896</u>	<u>\$ 5,107,362</u>

**Note 5 - Capital Assets**

For the year ended June 30, 2023, capital asset activity was as follows:

	Balance 07/01/22	Additions	Transfers/ Disposals	Balance 06/30/23
<b>Governmental Activities</b>				
<b>Capital Assets not Being Depreciated</b>				
Land	\$ 1,204,697	\$ -	\$ -	\$ 1,204,697
Buildings and Building Improv.	350,000	-	-	350,000
	<u>1,554,697</u>	<u>-</u>	<u>-</u>	<u>1,554,697</u>
<b>Total Capital Assets not Being Depreciated</b>	<u>1,554,697</u>	<u>-</u>	<u>-</u>	<u>1,554,697</u>
<b>Capital Assets Being Depreciated</b>				
Land Improvements	2,552,351	-	-	2,552,351
Buildings and Building Improv.	140,091,335	-	-	140,091,335
Furniture and Equipment	4,356,511	-	-	4,356,511
	<u>147,000,197</u>	<u>-</u>	<u>-</u>	<u>147,000,197</u>
<b>Total Capital Assets Being Depreciated</b>	<u>147,000,197</u>	<u>-</u>	<u>-</u>	<u>147,000,197</u>
<b>Less Accumulated Depreciation</b>				
Land Improvements	1,559,439	76,167	-	1,635,606
Buildings and Building Improv.	42,525,444	2,986,845	-	45,512,289
Furniture and Equipment	3,725,084	98,880	-	3,823,964
	<u>47,809,967</u>	<u>3,161,892</u>	<u>-</u>	<u>50,971,859</u>
<b>Total Accumulated Depreciation</b>	<u>47,809,967</u>	<u>3,161,892</u>	<u>-</u>	<u>50,971,859</u>
<b>Total Capital Assets Being Depreciated, Net</b>	<u>99,190,230</u>	<u>(3,161,892)</u>	<u>-</u>	<u>96,028,338</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 100,744,927</u>	<u>\$ (3,161,892)</u>	<u>\$ -</u>	<u>\$ 97,583,035</u>

**McKeesport Area School District**  
**Notes to Financial Statements**  
**June 30, 2023**

	Balance 07/01/22	Additions	Transfers/ Disposals	Balance 06/30/23
<b>Business-Type Activities</b>				
Furniture and Equipment	\$ 1,387,632	\$ 40,853	\$ -	\$ 1,428,485
Less Accumulated Depreciation and Equipment	<u>924,111</u>	<u>65,205</u>	<u>-</u>	<u>989,316</u>
<b>Business-Type Activities Capital Assets, Net</b>	<u><u>\$ 463,521</u></u>	<u><u>\$ (24,352)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 439,169</u></u>
<b>Governmental Activities</b>				
Intangible Right-to-use Assets:				
Leased Equipment	\$ 672,915	\$ -	\$ -	\$ 672,915
Subscription Assets	<u>238,878</u>	<u>408,028</u>	<u>-</u>	<u>646,906</u>
Intangible Right-to-use Assets:	911,793	408,028	-	1,319,821
Less Accumulated Amortization:				
Leased Equipment	202,943	128,174	-	331,117
Subscription Assets	<u>143,326</u>	<u>76,384</u>	<u>-</u>	<u>219,710</u>
Total Accumulated Amortization:	<u>346,269</u>	<u>204,558</u>	<u>-</u>	<u>550,827</u>
<b>Net Intangible Right-to-use Assets</b>	<u><u>\$ 565,524</u></u>	<u><u>\$ 203,470</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 768,994</u></u>

Depreciation/Amortization expense was charged to functions/programs as follows:

**Governmental Activities**

Instruction	\$ 2,721,289
Instructional Student Support	151,485
Administration and Financial Support Services	151,878
Operation and Maintenance of Plant Services	19,713
Student Activities	<u>117,527</u>

Total Depreciation Expense	<u><u>\$ 3,161,892</u></u>
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**Business-Type Activities**

Food Service	<u><u>\$ 65,205</u></u>
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**Governmental Activities**

Intangible Right-to-use Assets:

Administration and Financial Support Services	<u><u>\$ 204,558</u></u>
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**McKeesport Area School District**  
**Notes to Financial Statements**  
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The School District has a school building that will no longer be used by the government for their intended purpose of elementary education and is making certain that they are available for sale. Therefore, they are reported at the lower of carrying value or fair value.

**Note 6 - Interfund Balances**

At June 30, 2023, interfund balances were:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ -	\$ 44,141
Proprietary Fund		
Food Service	44,141	-
	\$ 44,141	\$ 44,141

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.

**Note 7 - Interfund Transfers**

For the year ended June 30, 2023, the general fund transferred \$9,840,260 to the debt service fund for the payment of principal and interest on outstanding debt.

**Note 8 - Long-Term Liabilities**

Long-term liability for the year ended June 30, 2023 was as follows:

	Balance 07/01/22	Additions	Accretion	Reductions	Balance 06/30/23	Due Within One Year
Governmental Activities						
Bonds Payable						
General Obligation Bonds	\$ 117,233,114	\$ -	\$ 1,281,748	\$ 6,010,000	\$ 112,504,862	\$ 6,096,328
Plus: Bond Premium	5,047,182	-	-	364,633	4,682,549	-
Less: Bond Discount	(862,812)	-	-	(62,275)	(800,537)	-
Total Bonds Payable	121,417,484	-	1,281,748	6,312,358	116,386,874	6,096,328

**McKeesport Area School District**  
**Notes to Financial Statements**  
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	Balance 07/01/22	Additions	Accretion	Reductions	Balance 06/30/23	Due Within One Year
<b>Governmental Activities</b>						
General Obligation Notes	2,065,000	-	-	555,000	1,510,000	565,000
Financing Agreements	-	220,644	-	77,612	143,032	69,383
Compensated Absences	<u>1,692,243</u>	<u>-</u>	<u>-</u>	<u>116,459</u>	<u>1,575,784</u>	<u>110,305</u>
<b>Governmental Activities</b>						
Long-Term Liabilities	<u>\$ 125,174,727</u>	<u>\$ 220,644</u>	<u>\$ 1,281,748</u>	<u>\$ 7,061,429</u>	<u>\$ 119,615,690</u>	<u>\$ 6,841,016</u>
Lease Liabilities	<u>\$ 479,477</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 125,758</u>	<u>\$ 353,719</u>	<u>\$ 129,454</u>
Subscription Liabilities	<u>\$ 97,521</u>	<u>\$ 408,028</u>	<u>\$ -</u>	<u>\$ 75,329</u>	<u>\$ 430,220</u>	<u>\$ 126,034</u>
Total Long-Term Obligations as Reported in the Statement of Net Position					<u>\$ 120,399,629</u>	<u>\$ 7,096,504</u>

**General Obligation Bonds**

Series of 1997D, in the amount of \$24,079,427 issued October 7, 1997 at 3.85%-4.50% due semi-annually through October 1, 2023	\$ 3,901,909
Series C of 1999, in the amount of \$9,375,121 issued November 1999 at 4.18%-6.38% due serially through October 2029	9,254,188
Series of 2001, in the amount of \$9,823,419 at interest/yield of 3.0%-5.53% due semi-annually through October 1, 2031	2,688,855
Series of 2003B, original issuance amount of \$7,041,740, issued March 27, 2003, interest/yield at 1.10%-4.80% due serially through October 1, 2033	2,581,068
Series of 2005B, original issuance amount of \$7,364,505, issued July 2005, interest/yield at 3.08%-5.18% due serially through October 1, 2034	4,056,946
Series of 2005B-1, original issuance amount of \$647,826, issued July 2005, interest/yield at 5.19%-5.21% due serially through October 1, 2033	1,606,896

**McKeesport Area School District**  
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General Obligation Bonds

<p>Series of 2011 Qualified School Construction Bonds (QSCB), original issuance amount of \$15,000,000 due in annual principal or mandatory sinking fund installment of \$1,000,000 through September 1, 2026, plus semi-annual interest payments of \$406,950; interest at gross rate of 5.426%. QSCB provide a federal subsidy of 5.02% of the interest paid; interest is calculated on the total loan amount through maturity</p>	4,000,000
<p>Series of 2017A, original issuance amount of \$5,200,000 issued June 2017; interest at 1.3%-3.125%, due serially through October 1, 2027</p>	3,570,000
<p>Series of 2017B, original issuance amount of \$6,270,000 issued July 2017; interest at 1.25%-3.25%, due serially through October 1, 2030</p>	5,600,000
<p>Series of 2019A, original issuance amount of \$6,215,000 issued September 2019; interest at 2.00%-2.125%, due serially through October 1, 2032</p>	6,190,000
<p>Series of 2019B original issuance amount of \$3,785,000 issued September 2019; interest at 2.00%-2.50%, due serially through October 1, 2039</p>	3,770,000
<p>Series of 2020A original issuance amount of \$4,155,000 issued July 2020; interest at 2.125%-4.00%, due serially through October 1, 2034</p>	2,995,000
<p>Series of 2020B original issuance amount of \$8,310,000 issued July 2020; interest at 2.625%-4.00%, due serially through October 1, 2040</p>	8,310,000
<p>Series of 2021A original issuance amount of \$29,285,000 issued July 2021; interest at 1.00%-4.00%, due serially through October 1, 2035</p>	24,740,000
<p>Series of 2021B original issuance amount of \$29,485,000 issued July 2021; interest at 0.306%-2.75%, due serially through April 1, 2040</p>	29,240,000
	\$ 112,504,862

**McKeesport Area School District**  
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General Obligation Notes

Series of 2016, original issuance amount of \$3,140,000 issued September 2016; interest at 1.5%-3.125%, due serially through October 1, 2033

\$ 1,510,000

Financing Agreements

Agreement dated August 30, 2022 in the amount of \$220,644 due in annual payments of \$78,177 including interest at 6.1479% through September 2024.

\$ 143,032

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

The annual requirements of School District funds to amortize all debt outstanding (excluding compensated absences) as of June 30, 2023, including interest, sinking fund payments and accretion on the capital appreciation bonds, are as follows:

Year Ended	General Obligation Bonds			General Obligation Notes		Financing Agreements		Totals
	Principal (On Issuance Amount)	Interest	QSCB's Subsidy	Principal	Interest	Principal	Interest	
June 30,								
2024	\$ 4,787,130	\$ 4,769,731	\$ (753,000)	\$ 565,000	\$ 29,784	\$ 69,383	\$ 8,794	\$ 9,476,822
2025	5,015,817	4,674,245	(753,000)	585,000	17,200	73,649	4,528	9,617,439
2026	4,031,276	5,981,303	(753,000)	55,000	9,863	-	-	9,324,442
2027	4,359,351	4,610,695	(376,500)	190,000	32,188	-	-	8,815,734
2028	4,141,856	4,127,088	-	115,000	5,547	-	-	8,389,491
2029-2033	24,980,121	19,598,954	-	-	-	-	-	44,579,075
2034-2038	27,803,211	13,054,555	-	-	-	-	-	40,857,766
2039-2041	20,415,000	1,164,071	-	-	-	-	-	21,579,071
	<u>95,533,762</u>	<u>57,980,642</u>	<u>(2,635,500)</u>	<u>1,510,000</u>	<u>94,582</u>	<u>143,032</u>	<u>13,322</u>	<u>152,639,840</u>
Accretion to Date	<u>16,971,100</u>	<u>(16,971,100)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 112,504,862</u>	<u>\$ 41,009,542</u>	<u>\$ (2,635,500)</u>	<u>\$ 1,510,000</u>	<u>\$ 94,582</u>	<u>\$ 143,032</u>	<u>\$ 13,322</u>	<u>\$ 152,639,840</u>

The amount reflected above for the qualified school construction bond subsidy is the gross amount and has not been reduced for any possible reduction in the subsidy from sequestration.



**McKeesport Area School District**  
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In prior years, the School District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the School District's financial statements.

**Note 9 – Lease Liabilities**

The School District entered into an agreement to lease copiers on December 1, 2020. The terms of the lease are for five years requiring original monthly payments of \$11,500. The lease agreement qualifies as other than short-term lease under GASB 87 and, therefore, has been recorded at present value of the future minimum lease payments as of the date of the inception. For purposes of discounting future payments, the School District determined an interest rate of 2.9% to be an appropriate discount rate. As of June 30, 2023, the value of the lease liability recorded for the above lease was \$353,719. As a result, the School District has recorded an Intangible Right-to-Use asset with a net book value of \$341,798 as of June 30, 2023. Future minimum lease payments under this lease are as follows:

Year Ended June 30,	Lease Payable		
	Principal	Interest	Totals
2024	\$ 129,454	\$ 8,546	\$ 138,000
2025	133,258	4,742	138,000
2026	91,007	993	92,000
	\$ 353,719	\$ 14,281	\$ 368,000

**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' 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.

**McKeesport Area School District**  
**Notes to Financial Statements**  
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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).

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.

Act 5 of 2017 (Act 5) introduced a hybrid benefit with two membership classes and a separate defined contribution plan for individuals who become new members on or after July 1, 2019. Act 5 created two new hybrid membership classes, Membership Class T-G (Class T-G) and Membership Class T-H (Class T-H) and the separate defined contribution membership class, Membership Class DC (Class DC). To qualify for normal retirement, Class T-G and Class T-H members must work until age 67 with a minimum of 3 years of credited service. Class T-G may also qualify for normal retirement by attaining a total combination of age and service that is equal to or greater than 97 with a minimum of 35 years of credited service.

Benefits are generally between 1% and 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.

**McKeesport Area School District**  
**Notes to Financial Statements**  
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3. Contributions

Member Contributions

Member Contribution Rates				
Membership Class	Continuous Employment Since	Defined Benefit (DB) Contribution Rate	DC Contribution Rate	Total Contribution Rate
T-C	Prior to July 22, 1983	5.25%	N/A	5.25%/6.25%
T-C	On or after July 22, 1983	6.25%	N/A	6.25%
T-D	Prior to July 22, 1983	6.50%	N/A	6.50%
T-D	On or after July 22, 1983	7.50%	N/A	7.50%
T-E	On or after July 1, 2011	7.50% base rate with shared risk provision	N/A	Prior to 7/1/21: 7.5% After 7/1/21: 8.0%
T-F	On or after July 1, 2011	10.30% base rate with shared risk provision	N/A	Prior to 7/1/21: 10.3% After 7/1/21: 10.8%
T-G	On or after July 1, 2019	5.50% base rate with shared risk provision	2.75%	Prior to 7/1/21: 8.25% After 7/1/21: 9.00%
T-H	On or after July 1, 2019	4.50% base rate with shared risk provision	3.00%	Prior to 7/1/21: 7.50% After 7/1/21: 8.25%
DC	On or after July 1, 2019	N/A	7.50%	7.50%

Shared Risk Program Summary				
Membership Class	Defined Benefit (DB) Base Rate	Shared Risk Increment	Minimum	Maximum
T-E	7.50%	+/- 0.50%	5.50%	9.50%
T-F	10.30%	+/- 0.50%	8.30%	12.30%
T-G	5.50%	+/- 0.75%	2.50%	8.50%
T-H	4.50%	+/- 0.75%	1.50%	7.50%

Employer Contributions

The School District's contractually required contribution rate for fiscal year ended June 30, 2023 was 34.51% 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 \$9,028,270 for the year ended June 30, 2023

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

At June 30, 2023, the School District reported a liability of \$79,270,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2021 to June 30, 2022.

**McKeesport Area School District**  
**Notes to Financial Statements**  
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The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2023, the School District's proportion was 0.1783%, which was an increase of 0.0048% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the School District recognized pension expense of \$5,379,579. At June 30, 2023, 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	\$ 36,000	\$ 686,000
Net difference between projected and actual investment earnings	-	1,345,000
Change in assumptions	2,367,000	-
Changes in proportions	1,660,000	504,000
Difference between employer contributions and proportionate share of total contributions	-	42,302
Contributions subsequent to the measurement date	<u>9,028,270</u>	<u>-</u>
	<u>\$ 13,091,270</u>	<u>\$ 2,577,302</u>

\$9,028,270 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, 2024.

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,	
2024	\$ 499,734
2025	657,329
2026	(1,522,285)
2027	<u>1,850,920</u>
	<u>\$ 1,485,698</u>

**McKeesport Area School District**  
**Notes to Financial Statements**  
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1. Changes in Actuarial Assumptions

The total pension liability as of June 30, 2022 was determined by rolling forward the System's total pension liability as of June 30, 2021 to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation Date – June 30, 2021
- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 7.00%, includes inflation at 2.75%.
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- The discount rate used to measure the Total Pension Liability was 7.00% as of June 30, 2021 and as of June 30, 2022.
- Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation:
  - Salary growth rate – decreased from 5.00 % to 4.50%
  - Real wage growth and merit or seniority increases (components for salary growth) decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.
  - Mortality rates – Previously 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. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2020.

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 the 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 for the benefits provided through the pension.

**McKeesport Area School District**  
**Notes to Financial Statements**  
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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	28.0%	5.3%
Private equity	12.0%	8.0%
Fixed Income	33.0%	2.3%
Commodities	9.0%	2.3%
Infrastructure/MLPs	9.0%	5.4%
Real estate	11.0%	4.6%
Absolute return	6.0%	3.5%
Cash	3.0%	0.5%
Leverage	<u>-11.0%</u>	0.5%
	<u>100%</u>	

The above table 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, 2022.

2. Discount Rate

The discount rate used to measure the total pension liability was 7.00%. 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 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate:

	(In Thousands)		
	1.00%	Current	1.00%
	Decrease	Discount Rate	Increase
	6.00%	7.00%	8.00%
School District's proportionate share of the net pension liability	\$ 102,530	\$ 79,270	\$ 59,659

**McKeesport Area School District**  
**Notes to Financial Statements**  
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4. Pension Plan Fiduciary Net Position

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

**Note 11 - Contingent Liabilities**

McKeesport Area School District participates in a number of federally assisted grant programs, principal of which are Education Stabilization Fund, Title I and the Child Nutrition Cluster. 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, 2023 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

McKeesport School District administers a single-employer defined benefit healthcare plan ("the Supplemental Health Plan"). The plan provides medical, and in some cases dental and vision, for full-time employees. 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 are as follows:

1) Retirement Plan Eligibility

- Normal Retirement - Professionals - Age 62, age 60 with 30 years of service or 35 years of service; Support - Age 62 with 1 year of service, age 60 with 30 years of service or 35 years of service
- Early Retirement – Professionals - Age 55 with 25 years of service; Class T-G – Age 57 with 25 years of service

2) Post-Retirement Medical Insurance Plan – Retired on or before January 31, 2019

- Retirees and their eligible spouses may elect continuation coverage, paying a portion of the premium for medical, dental, and/or vision. This percentage of the premium paid by the retiree and their spouse varies based on the incentive at the time of retirement.
- Coverage ends at the earlier of attainment of age 65, or 10 years for professionals, or 5 years for support staff, or eligibility of coverage from another source.
- The District pays the rate in effect the July after the employee retires less \$100 per month supplemental payment provided by the state for each retiree. Retiree pays the current premium (including \$100 supplemental payment) less the District payment.

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The District reimbursement remains the same even if spouse or dependents are no longer covered.

- If the retiree or their spouse is not yet age 65, but the retiree is not eligible for reimbursement from the District, the retiree or their spouse may purchase coverage. Upon the death of a retiree under the Early Retirement Incentive, the surviving spouse (if spouse was covered) is eligible for benefits for the remainder of the original eligibility period.

3) Retired after January 31, 2019 and on or before January 31, 2022, or after June 30, 2024

- Retirees and their eligible spouses may elect continuation coverage, paying 102% of the premium for medical, dental, and/or vision.
- Coverage ends upon attainment of age 65.

4) Early Retirement Incentive Approved January 26, 2022

- Year 1 (end of the 2021-22 School Year)
  - Option 1 – Health Insurance Coverage: The Allegheny County Schools Health Insurance Consortium Community Blue Flex EPO Program and dental coverage for a maximum of ten (10) years or until the employee reaches age 65 or becomes eligible for coverage from any other source, whichever shall occur first. The District will pay the premiums at the rate in effect on June 30, 2022; and the retiree will be responsible for paying the School District an amount equal to the PSERS reimbursement for retirees paying for health insurance and, in addition, any increases in premiums in subsequent years.
  - Option 2 – Non-Elective Employer Contribution to the Special Pay Plan: In July 2022, following the employee’s official retirement, a contribution of \$30,000 will be made into the 403(b) Special Pay Plan on behalf of the retiree.
- Year 2 (end of the 2022-23 School Year)
  - Option 1 – Health Insurance Coverage: The Allegheny County Schools Health Insurance Consortium Community Blue Flex EPO Program and dental coverage for a maximum of ten (10) years or until the employee reaches age 65 or becomes eligible for coverage from any other source, whichever shall occur first. The District will pay ninety (90) percent of the premiums at the rate in effect on June 30, 2023; and the retiree will be responsible for paying the School District ten (10) percent of the premium at the rate in effect on June 30, 2023 and, in addition, an amount equal to the PSERS reimbursement for retirees paying for health insurance and, in addition, any increases in premiums in subsequent years.
  - Option 2 – Non-Elective Employer Contribution to the Special Pay Plan: In July 2023, following the employee’s official retirement, a contribution of \$20,000 will be made into the 403(b) Special Pay Plan on behalf of the retiree.



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- Year 3 (end of the 2023-24 School Year)
  - Option 1 – Health Insurance Coverage: The Allegheny County Schools Health Insurance Consortium Community Blue Flex EPO Program and dental coverage for a maximum of ten (10) years or until the employee reaches age 65 or becomes eligible for coverage from any other source, whichever shall occur first. The District will pay eighty (80) percent of the premiums at the rate in effect on June 30, 2024; and the retiree will be responsible for paying the School District twenty (20) percent of the premium at the rate in effect on June 30, 2024 and, in addition, an amount equal to the PSERS reimbursement for retirees paying for health insurance and, in addition, any increases in premiums in subsequent years.
  - Option 2 – Non-Elective Employer Contribution to the Special Pay Plan: In July 2024, following the employee’s official retirement, a contribution of \$10,000 will be made into the 403(b) Special Pay Plan on behalf of the retiree.

Employees Covered by Benefit Terms

At July 1, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	55
Active employees	<u>327</u>
	<u>382</u>

C. Total OPEB Liability

The School District’s total OPEB liability of \$7,001,594 was measured as of June 30, 2023 using standard roll forward techniques from the actuarial valuation as of July 1, 2022.

D. Actuarial Methods and Assumptions

The total OPEB liability in the July 1, 2022 actuarial valuation and 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	3.00%
Discount Rate	4.09%
Healthcare Cost Trend Rates	6.50% for 2021/2022, graded to 5.20% over 3 years, following the Getzen model thereafter

The discount rate was based on the S & P Municipal Bond 20 Year High Grade Rate Index as of June 30, 2023.

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Mortality rates were based on the Pub-2-1- General Government Headcount weighted tables with improvements projected using scale MP-2021.

The actuarial assumptions used in the July 1, 2022 valuation and roll forward 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, 2022	\$ 7,338,814
Changes for the year:	
Service Cost	163,607
Interest	275,113
Benefit Payments	<u>(775,940)</u>
Net Changes	<u>(337,220)</u>
Balance at June 30, 2023	<u>\$ 7,001,594</u>

F. Changes of Assumptions and Other Inputs

- An early retirement incentive window, allowing retirees to receive reduced rate coverage for life if they retire by June 30, 2024 was valued in fiscal year 2022.

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

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.09%) or one percentage point higher (5.09%) than the current discount rate:

	1.00% Decrease 3.09%	Current Discount Rate 4.09%	1.00% Increase 5.09%
Total OPEB Liability	\$ 7,476,996	\$ 7,001,594	\$ 6,559,160

**McKeesport Area School District**  
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H. Sensitivity of the Total Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	1.00% Decrease	Healthcare Cost Trend Rates	1.00% Increase
Total OPEB Liability	\$ 6,455,937	\$ 7,001,594	\$ 7,640,882

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

For the year ended June 30, 2023 the School District recognized OPEB Expense of \$793,741. At June 30, 2023 the School District reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ -	\$ 973,073
Difference between expected and actual experience	-	1,498,036
	\$ -	\$ 2,471,109

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,	
2024	\$ (456,521)
2025	(456,521)
2026	(456,521)
2027	(456,522)
2028	(215,010)
Thereafter	(430,014)
	\$ (2,471,109)

**McKeesport Area School District**  
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**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' 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, 2022, 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

For Class DC members to become eligible for premium assistance, they must satisfy the following criteria:

- Attain Medicare eligibility with 24 ½ or more eligibility points, or
- Have 15 or more eligibility points and terminated after age 67, and
- Have received all or part of their distributions.

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.

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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.

Employer Contributions

The School District's contractually required contribution rate for fiscal year ended June 30, 2023 was 0.75% 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 \$197,354 for the year ended June 30, 2023.

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

At June 30, 2023, the School District reported a liability of \$3,280,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, 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, 2021 to June 30, 2022. 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, 2023, the School District's proportion was 0.1782%, which was an increase of 0.0047% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the School District recognized OPEB expense of \$98,799. At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**McKeesport Area School District**  
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	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 30,000	\$ 18,000
Changes in assumptions	364,000	775,000
Net difference between projected and actual investment earnings	9,000	-
Changes in proportions	101,000	93,000
Difference between employer contributions and proportionate share of total contributions	-	470
Contributions subsequent to the measurement date	<u>197,354</u>	<u>-</u>
	<u>\$ 701,354</u>	<u>\$ 886,470</u>

\$197,354 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 OPEB liability in the year ended June 30, 2024. 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,	
2024	\$ (79,260)
2025	(68,771)
2026	(72,051)
2027	(75,388)
2028	<u>(87,000)</u>
	<u>\$ (382,470)</u>

1. Actuarial Assumptions

The total OPEB liability as of June 30, 2022 was determined by rolling forward the System's total OPEB liability as of June 30, 2021 to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return – 4.09%, S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% of PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

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- 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, 2021 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2020.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2020 determined the employer contribution rate for fiscal year 2022.
- 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: The actual data for retirees benefiting under the Plan as of June 30, 2021 was used in lieu of the 63% utilization assumption for eligible retirees.
- Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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	<u>100.0%</u>	0.50%

The above table 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, 2022.

2. Discount Rate

The discount rate used to measure the Total OPEB Liability was 4.09%. 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.

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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 4.09% which represents the S&P 20 year Municipal Bond Rate at June 30, 2022, 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, 2022, 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, 2022, 93,293 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2022, 582 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 for June 30, 2022, 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%	Current	1.00%
	Decrease	Trend Rate	Increase
System net OPEB Liability	\$ 3,280	\$ 3,280	\$ 3,281

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 4.09%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.09%) or 1 percentage point higher (5.09%) than the current rate:

	(In Thousands)		
	1.00%	Current	1.00%
	Decrease	Discount Rate	Increase
	3.09%	4.09%	5.09%
School District's proportionate share of the net OPEB liability	\$ 3,710	\$ 3,280	\$ 2,921

5. OPEB Plan Fiduciary Net Position

Detailed information about PSERS’ fiduciary net position is available in PSERS Annual Comprehensive Financial Report which can be found on the System’s website at [www.psers.pa.gov](http://www.psers.pa.gov).



**McKeesport Area School District**  
**Notes to Financial Statements**  
**June 30, 2023**

**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 \$6,898,712 and \$6,345,765 for the years ended June 30, 2023 and 2022, 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, 2023, the net position of the Consortium was \$43,578,886 of which \$826,694 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.

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, 2023, were \$8,462,314.

This includes \$7,143,119 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 \$1,319,195 to the federal government for social security and Medicare taxes for the year ended June 30, 2023. The School District pays these on-behalf payments directly to PSERS and the government and is reimbursed by the Commonwealth for their appropriate share.

**Note 16 – Subscription-Based Information Technology Arrangement Liabilities**

The School District entered into subscription-based information technology arrangements for computer backup and security services and software. The arrangements were revalued under the provisions of GASB Statement No. 96 "Subscription-Based Information Technology Arrangements" and therefore, have been recorded at present value of the future minimum payments as of the date of inception. For purposes of discounting future payments, the School District determined an interest rate of 3.75% to be an appropriate discount rate.

As of June 30, 2023, the value of the subscription liability recorded for the above agreements was \$430,220. As a result, the School District has recorded an Intangible Right-to-Use asset with a net book value of \$427,196 as of June 30, 2023.

**McKeesport Area School District**  
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**June 30, 2023**

Future minimum subscription payments under the agreements are as follows:

Year Ended June 30,	Subscription Payable		Totals
	Principal	Interest	
2024	\$ 126,034	\$ 14,829	\$ 140,863
2025	79,289	10,053	89,342
2026	82,315	7,028	89,343
2027	85,455	3,888	89,343
2028	57,127	896	58,023
	\$ 430,220	\$ 36,694	\$ 466,914

**Note 17 – Prior Period Restatement**

As a result of the implementation of GASB Statement No. 96 “Subscription-Based Information Technology Arrangements”, the School District made a prior period adjustment to record the value of the right-to-use asset net of accumulated amortization \$95,552 and the associated lease liability (\$97,521) as of July 1, 2022. This prior period adjustment and its effect on Net Position at July 1, 2022 was a decrease in Governmental Activities net position of \$1,969 restating the net position reported in the prior period financial statements of (\$91,612,581) to (\$91,614,550).

**REQUIRED SUPPLEMENTARY  
INFORMATION SECTION**

**McKeesport Area School District  
Schedule of Revenues, Expenditures  
and Changes in Fund Balance  
General Fund – Budget and Actual  
Year Ended June 30, 2023**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
<b>Local Sources</b>				
<b>Taxes</b>				
Current Real Estate Taxes	\$ 13,031,848	\$ 13,031,848	\$ 12,908,427	\$ (123,421)
Public Utility Realty Taxes	13,998	13,998	18,153	4,155
Payments in Lieu of Current Taxes	-	-	6,040	6,040
Business Privilege Taxes	261,000	261,000	407,876	146,876
Mercantile Taxes	169,000	169,000	155,305	(13,695)
Local Services Taxes	53,140	53,140	46,754	(6,386)
Earned Income Taxes	2,263,678	2,263,678	2,574,331	310,653
Real Estate Transfer Taxes	162,500	162,500	240,873	78,373
Delinquencies on Taxes	766,400	766,400	1,806,144	1,039,744
Earnings on Investments	5,000	5,000	418,569	413,569
<b>Other Local Revenues</b>				
Revenue from Student Activities	45,000	45,000	56,873	11,873
Other Revenues from IU	-	-	2,572	2,572
Federal Revenues from IU	905,500	905,500	972,479	66,979
Contributions & Donations from Private Sources	-	-	1,120,138	1,120,138
Rentals	20,000	20,000	7,425	(12,575)
Tuition from other LEAs	-	-	281,934	281,934
Refund of Prior Year's Expenditures	-	-	145,371	145,371
Miscellaneous Revenue	10,000	10,000	19,828	9,828
<b>Total Revenues from Local Sources</b>	<u>17,707,064</u>	<u>17,707,064</u>	<u>21,189,092</u>	<u>3,482,028</u>
<b>State Sources</b>				
<b>Basic Instructional &amp; Oper. Subsidies</b>				
Basic Instructional Subsidy	27,927,841	27,927,841	31,778,324	3,850,483
Level Up Supplement	-	-	2,202,095	2,202,095
Tuition	(234,635)	(234,635)	213,836	448,471
<b>Subsidies for Spec. Educ. Programs</b>				
Vocational Education	402,589	402,589	312,820	(89,769)
Pre-K Counts	630,000	630,000	707,143	77,143
Special Education of Excep. Pupils	4,550,393	4,550,393	4,267,216	(283,177)
<b>Subsidies for Noneduc. Programs</b>				
Transportation (Regular & Additional)	2,130,085	2,130,085	1,509,214	(620,871)
Rentals & Sinking Fund Payments	1,192,901	1,192,901	1,296,475	103,574
Ready to Learn Block Grant	888,223	888,223	888,223	-
Health Services	67,000	67,000	56,789	(10,211)
State Property Tax Reduction	3,074,153	3,074,153	3,074,153	-
Safe Schools Grant	-	-	66,450	66,450

**McKeesport Area School District  
Schedule of Revenues, Expenditures  
and Changes in Fund Balance  
General Fund – Budget and Actual  
Year Ended June 30, 2023**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Supplemental Equipment Grant	-	-	20,512	20,512
Social Security Payments	1,345,410	1,345,410	1,302,268	(43,142)
State Retirement Revenue	<u>6,515,812</u>	<u>6,515,812</u>	<u>7,067,362</u>	<u>551,550</u>
<b>Total Revenues from State Sources</b>	<u>48,489,772</u>	<u>48,489,772</u>	<u>54,762,880</u>	<u>6,273,108</u>
<b>Federal Sources</b>				
Restricted Grants-In-Aid from the Fed. Gov't. through the Commonwealth				
Impact Aid	17,000	17,000	21,843	4,843
Title I	2,042,981	2,042,981	2,408,829	365,848
Title II	191,316	191,316	231,508	40,192
Title IV	166,556	166,556	167,054	498
21st Century Grant	-	-	610,020	610,020
Vocational Education & Training	105,548	105,548	118,177	12,629
ARRA Build America Bonds	-	-	717,230	717,230
Elementary and Secondary School Emergency Relief Fund (ESSER II)	5,315,689	5,315,689	3,446,087	(1,869,602)
ARP ESSER (ESSER III)-Elementary and Secondary School Emergency Relief	5,794,491	5,794,491	2,834,246	(2,960,245)
ARP ESSER Learning Loss			357,497	357,497
ARP ESSER Summer Programs			81,592	81,592
ARP ESSER Afterschool Programs	-	-	8,960	8,960
ARP ESSER Homeless Children and Youth Funds (ARP-HCY)	-	-	35,793	35,793
ARP ESSER Emergency Relief for Other Educational Entities	-	-	90,084	90,084
Other CARES Act and CRRSA Act Funding	-	-	33,347	33,347
Medical Assistance - Access	250,000	250,000		(250,000)
Medical Assistance - Admin.	<u>-</u>	<u>-</u>	<u>53,279</u>	<u>53,279</u>
<b>Total Revenues from Federal Sources</b>	<u>13,883,581</u>	<u>13,883,581</u>	<u>11,215,546</u>	<u>(2,668,035)</u>
<b>Total Revenues</b>	<u>80,080,417</u>	<u>80,080,417</u>	<u>87,167,518</u>	<u>7,087,101</u>

**McKeesport Area School District  
Schedule of Revenues, Expenditures  
and Changes in Fund Balance  
General Fund – Budget and Actual  
Year Ended June 30, 2023**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Other Financing Sources</b>				
Leases & Other Right to Use Arrangements	-	-	408,028	408,028
Other Extended Term Financing Proceeds	-	-	220,644	220,644
<b>Total Other Financing Sources</b>	-	-	628,672	628,672
<b>Total Revenues and Other Financing Sources</b>	80,080,417	80,080,417	87,796,190	7,715,773
<b>Expenditures</b>				
<b>Instruction</b>				
<b>Regular Programs</b>				
<b>Personal Services</b>				
Salaries	12,968,359	12,968,359	12,371,303	597,056
Employee Benefits	8,341,153	8,450,353	8,450,348	5
Purchased Prof. and Tech. Services	8,000	10,050	10,044	6
Purchased Property Services	24,900	24,900	4,029	20,871
Other Purchased Services	14,033,998	5,940,873	5,842,209	98,664
Supplies	1,666,650	726,650	719,012	7,638
Property	788,685	923,685	923,254	431
Other Objects	12,000	12,000	10,554	1,446
<b>Total Regular Programs</b>	37,843,745	29,056,870	28,330,753	726,117
<b>Special Programs</b>				
<b>Personal Services</b>				
Salaries	3,703,333	3,715,008	3,714,997	11
Employee Benefits	2,273,329	2,462,329	2,461,853	476
Purchased Prof. and Tech. Services	1,403,900	1,357,900	1,357,620	280
Other Purchased Services	1,133,000	5,696,000	5,695,709	291
Supplies	26,000	26,000	6,206	19,794
Property	16,000	12,650	7,544	5,106
Other Objects	2,000	5,350	5,347	3
<b>Total Special Programs</b>	8,557,562	13,275,237	13,249,276	25,961
<b>Vocational Education Programs</b>				
<b>Personal Services</b>				
Salaries	520,859	520,859	449,759	71,100
Employee Benefits	392,709	392,709	300,283	92,426
Purchased Property Services	43,100	43,100	3,906	39,194
Other Purchased Services	6,800	6,800	2,064	4,736

**McKeesport Area School District  
Schedule of Revenues, Expenditures  
and Changes in Fund Balance  
General Fund – Budget and Actual  
Year Ended June 30, 2023**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Supplies	148,020	148,020	134,232	13,788
Property	22,650	23,325	23,316	9
Other Objects	2,000	1,325	726	599
<b>Total Vocational Education Programs</b>	<b>1,136,138</b>	<b>1,136,138</b>	<b>914,286</b>	<b>221,852</b>
<b>Other Instructional Programs</b>				
Personal Services				
Salaries	1,823,459	2,534,459	2,534,185	274
Employee Benefits	1,219,772	1,674,772	1,674,568	204
Purchased Prof. and Tech. Services	-	52,200	52,167	33
Other Purchased Services	1,500	106,500	106,212	288
Supplies	23,000	139,000	138,893	107
Property	10,000	-	-	-
<b>Total Other Instructional Programs</b>	<b>3,077,731</b>	<b>4,506,931</b>	<b>4,506,025</b>	<b>906</b>
<b>Pre-Kindergarten</b>				
Personal Services				
Salaries	409,152	435,902	435,855	47
Employee Benefits	264,801	289,201	289,200	1
Purchased Prof. and Tech. Services	18,000	-	-	-
Other Purchased Services	2,000	-	-	-
Supplies	20,000	35,175	35,135	40
Property	10,000	-	-	-
<b>Total Pre-Kindergarten</b>	<b>723,953</b>	<b>760,278</b>	<b>760,190</b>	<b>88</b>
<b>Total Instruction</b>	<b>51,339,129</b>	<b>48,735,454</b>	<b>47,760,530</b>	<b>974,924</b>
<b>Support Services</b>				
Pupil Personnel				
Personal Services				
Salaries	1,325,470	1,595,470	1,595,369	101
Employee Benefits	834,918	1,042,618	1,042,602	16
Purchased Prof. and Tech. Services	7,500	93,125	93,103	22
Purchased Property Services	1,300	1,300	1,204	96
Other Purchased Services	3,000	3,000	37	2,963
Supplies	19,700	22,065	22,061	4
Property	5,000	5,000	880	4,120
<b>Total Pupil Personnel</b>	<b>2,196,888</b>	<b>2,762,578</b>	<b>2,755,256</b>	<b>7,322</b>

**McKeesport Area School District**  
**Schedule of Revenues, Expenditures**  
**and Changes in Fund Balance**  
**General Fund – Budget and Actual**  
**Year Ended June 30, 2023**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Instructional Staff</b>				
Personal Services				
Salaries	265,941	256,391	234,226	22,165
Employee Benefits	147,985	162,535	162,530	5
Purchased Prof. and Tech. Services	25,000	10,200	10,176	24
Purchased Property Services	6,500	-	-	-
Other Purchased Services	500	500	-	500
Supplies	16,600	40,500	40,489	11
Property	9,400	1,800	1,723	77
	<u>471,926</u>	<u>471,926</u>	<u>449,144</u>	<u>22,782</u>
<b>Administration</b>				
Personal Services				
Salaries	1,389,107	1,676,107	1,675,779	328
Employee Benefits	1,062,545	1,120,845	1,120,765	80
Purchased Prof. and Tech. Services	408,750	413,300	413,284	16
Purchased Property Services	458,644	188,544	188,544	-
Other Purchased Services	71,900	22,500	22,401	99
Supplies	61,800	235,300	235,283	17
Property	45,100	430,300	430,229	71
Other Objects	64,400	86,900	86,124	776
	<u>3,562,246</u>	<u>4,173,796</u>	<u>4,172,409</u>	<u>1,387</u>
<b>Pupil Health</b>				
Personal Services				
Salaries	227,084	260,634	260,617	17
Employee Benefits	119,855	165,955	165,952	3
Purchased Prof. and Tech. Services	8,000	43,125	43,111	14
Purchased Property Services	4,000	4,000	2,905	1,095
Supplies	7,000	10,475	10,464	11
Property	3,000	3,000	-	3,000
	<u>368,939</u>	<u>487,189</u>	<u>483,049</u>	<u>4,140</u>



**McKeesport Area School District**  
**Schedule of Revenues, Expenditures**  
**and Changes in Fund Balance**  
**General Fund – Budget and Actual**  
**Year Ended June 30, 2023**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Business</b>				
Personal Services				
Salaries	209,983	271,608	271,604	4
Employee Benefits	171,200	174,075	174,074	1
Purchased Prof. and Tech. Services	30,000	30,000	17,479	12,521
Purchased Property Services	147,000	81,300	8,420	72,880
Other Purchased Services	26,500	26,500	7,846	18,654
Supplies	5,600	5,600	4,652	948
Property	2,000	3,200	3,199	1
Other Objects	3,000	3,000	2,408	592
	<u>595,283</u>	<u>595,283</u>	<u>489,682</u>	<u>105,601</u>
<b>Total Business</b>				
<b>Oper. and Maint. of Plant Svcs.</b>				
Personal Services				
Salaries	1,496,042	1,826,867	1,826,864	3
Employee Benefits	1,182,758	1,243,458	1,243,450	8
Purchased Prof. and Tech. Services	710,000	710,000	654,976	55,024
Purchased Property Services	1,282,090	1,418,490	1,418,474	16
Other Purchased Services	350,925	368,025	368,020	5
Supplies	2,419,705	746,835	694,922	51,913
Property	119,710	119,710	10,593	109,117
Other Objects	14,400	34,850	34,825	25
	<u>7,575,630</u>	<u>6,468,235</u>	<u>6,252,124</u>	<u>216,111</u>
<b>Total Oper. and Maint. of Plant Svcs.</b>				
<b>Student Transportation Services</b>				
Personal Services				
Salaries	98,500	98,500	16,122	82,378
Employee Benefits	41,976	41,976	10,181	31,795
Other Purchased Services	2,606,177	3,398,177	3,397,346	831
	<u>2,746,653</u>	<u>3,538,653</u>	<u>3,423,649</u>	<u>115,004</u>
<b>Total Student Transportation Services</b>				

**McKeesport Area School District  
Schedule of Revenues, Expenditures  
and Changes in Fund Balance  
General Fund – Budget and Actual  
Year Ended June 30, 2023**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Central</b>				
Personal Services				
Salaries	497,277	523,902	523,887	15
Employee Benefits	376,857	350,232	350,168	64
Purchased Prof. and Tech. Services	38,977	38,977	30,380	8,597
Purchased Property Services	250	250	-	250
Other Purchased Services	27,250	27,250	19,447	7,803
Supplies	5,250	6,050	6,043	7
Property	2,000	1,200	-	1,200
Other Objects	1,150	1,150	1,000	150
	<u>949,011</u>	<u>949,011</u>	<u>930,925</u>	<u>18,086</u>
<b>Total Central</b>				
<b>Other</b>				
Other Purchased Services	25,800	23,000	22,960	40
Other Objects	-	2,800	2,800	-
	<u>25,800</u>	<u>25,800</u>	<u>25,760</u>	<u>40</u>
<b>Total Other</b>				
<b>Total Support Services</b>	<u>18,492,376</u>	<u>19,472,471</u>	<u>18,981,998</u>	<u>490,473</u>
<b>Noninstructional Services</b>				
<b>Student Activities</b>				
Personal Services				
Salaries	135,200	517,200	516,728	472
Employee Benefits	78,992	276,392	276,351	41
Purchased Prof. and Tech. Services	75,700	98,800	98,790	10
Purchased Property Services	70,000	83,125	83,113	12
Other Purchased Services	90,281	58,881	58,881	-
Supplies	71,500	71,720	71,717	3
Property	30,000	34,075	34,071	4
Other Objects	39,000	42,070	42,068	2
	<u>590,673</u>	<u>1,182,263</u>	<u>1,181,719</u>	<u>544</u>
<b>Total Student Activities</b>				

**McKeesport Area School District  
Schedule of Revenues, Expenditures  
and Changes in Fund Balance  
General Fund – Budget and Actual  
Year Ended June 30, 2023**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Community Services				
Personal Services				
Salaries	94,314	96,064	96,041	23
Employee Benefits	52,174	64,064	64,056	8
Supplies	-	3,350	3,345	5
Other Objects	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Total Community Services	<u>166,488</u>	<u>183,478</u>	<u>183,442</u>	<u>36</u>
Total Noninstructional Services	<u>757,161</u>	<u>1,365,741</u>	<u>1,365,161</u>	<u>580</u>
Debt Service				
Interest	-	20,320	20,317	3
Refunds of Prior Year's Receipts	80,000	59,680	50,806	8,874
Redemption of Principal	<u>-</u>	<u>279,000</u>	<u>278,699</u>	<u>301</u>
Total Debt Service	<u>80,000</u>	<u>359,000</u>	<u>349,822</u>	<u>9,178</u>
Total Expenditures	<u>70,668,666</u>	<u>69,932,666</u>	<u>68,457,511</u>	<u>1,475,155</u>
Other Financing Uses				
Fund Transfers				
Debt Service Fund	<u>9,104,302</u>	<u>9,840,302</u>	<u>9,840,260</u>	<u>42</u>
Total Expenditures and Other Financing Uses	<u>79,772,968</u>	<u>79,772,968</u>	<u>78,297,771</u>	<u>1,475,197</u>
Net Change in Fund Balance	307,449	307,449	9,498,419	9,190,970
Fund Balance - July 1, 2022	<u>4,032,952</u>	<u>4,032,952</u>	<u>7,006,886</u>	<u>2,973,934</u>
Fund Balance - June 30, 2023	<u>\$ 4,340,401</u>	<u>\$ 4,340,401</u>	<u>\$ 16,505,305</u>	<u>\$ 12,164,904</u>

**McKeesport Area School District**  
**Note to the Required Supplementary Information**  
**Budget Comparison**  
**June 30, 2023**

**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).

**McKeesport Area School District**  
**Required Supplementary Information**  
**Schedule of Changes in the Total OPEB Liability**  
**and Related Ratios**  
**Last Seven Years**

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB Liability							
Service cost	\$ 163,607	\$ 262,819	\$ 255,164	\$ 278,904	\$ 289,020	\$ 280,602	\$ -
Interest	275,113	174,144	181,700	269,639	276,750	294,835	-
Change of benefit terms & assumptions	-	1,737,544	-	(677,670)	-	-	-
Difference between expected and actual experience	-	(1,119,633)	-	(1,254,419)	-	-	-
Benefit payments	(775,940)	(728,582)	(810,178)	(794,292)	(1,190,718)	(1,161,183)	-
Net Change in Total OPEB Liability	(337,220)	326,292	(373,314)	(2,177,838)	(624,948)	(585,746)	-
Total OPEB Liability - Beginning	7,338,814	7,012,522	7,385,836	9,563,674	10,188,622	10,774,368	-
Total OPEB Liability - Ending	<u>\$ 7,001,594</u>	<u>\$ 7,338,814</u>	<u>\$ 7,012,522</u>	<u>\$ 7,385,836</u>	<u>\$ 9,563,674</u>	<u>\$ 10,188,622</u>	<u>\$ 10,774,368</u>
Covered-Employee Payroll	\$ 27,533,224	\$ 26,731,285	\$ 25,952,704	\$ 25,196,800	\$ 23,908,585	\$ 24,222,246	N/A
Total OPEB Liability as a Percentage of Covered-Employee Payroll	25.43%	27.45%	27.02%	29.31%	40.00%	42.06%	N/A

Notes to Schedule:

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

Assumption Changes:

An early retirement incentive window, allowing retirees to receive reduced rate coverage for life if they retire by June 30, 2024 was valued in fiscal year 2022

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.

**McKeesport Area School District  
Required Supplementary Information  
Schedule of School District's Contributions  
PSERS  
Last Nine Years**

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually Required Contribution	\$ 9,127,264	\$ 8,945,387	\$ 8,255,874	\$ 8,183,174	\$ 7,755,504	\$ 7,629,179	\$ 6,960,978	\$ 5,635,235	\$ 5,070,226
Contributions in Relation to the Contractually Required Contribution	<u>9,127,264</u>	<u>8,945,387</u>	<u>8,255,874</u>	<u>8,183,174</u>	<u>7,755,504</u>	<u>7,629,179</u>	<u>6,960,978</u>	<u>5,635,235</u>	<u>5,070,226</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll	\$25,879,181	\$26,201,257	\$24,597,442	\$24,623,849	\$24,300,240	\$24,207,978	\$24,421,565	\$23,010,316	\$25,563,913
Contributions as a Percentage of Covered Payroll	35.27%	34.14%	33.56%	33.23%	31.92%	31.52%	28.50%	24.49%	19.83%

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, 2022 has been revised from the prior year presentation to reflect adjustments processed by PSERS during fiscal year 2023.

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

	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	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)	0.1783%	0.1735%	0.1750%	0.1762%	0.1798%	0.1834%	0.1777%	0.1983%	0.1934%	0.1952%
School District's Proportionate Share of the Net Pension Liability (Asset)	\$ 79,270	\$ 71,233	\$ 86,168	\$ 82,431	\$ 86,313	\$ 90,578	\$ 88,062	\$ 85,894	\$ 76,549	\$ 79,906
School District's Covered Payroll	\$ 26,201	\$ 24,597	\$ 24,624	\$ 24,300	\$ 24,208	\$ 24,422	\$ 23,010	\$ 25,564	\$ 24,685	\$ 25,056
School District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	302.55%	289.60%	349.94%	339.22%	356.55%	370.89%	382.71%	336.00%	310.10%	318.91%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	61.34%	63.67%	54.32%	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%	54.49%

**McKeesport Area School District  
Required Supplementary Information  
Schedule of School District's Contributions  
PSERS OPEB Plan  
Last Six Years**

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Contractually Required Contribution	\$ 197,354	\$ 206,059	\$ 203,687	\$ 201,293	\$ 199,557	\$ 201,293
Contributions in Relation to the Contractually Required Contribution	<u>197,354</u>	<u>206,059</u>	<u>203,687</u>	<u>201,293</u>	<u>199,557</u>	<u>201,293</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll	\$25,879,181	\$26,291,647	\$24,597,442	\$24,623,849	\$24,300,240	\$24,207,978
Contributions as a Percentage of Covered Payroll	0.76%	0.78%	0.83%	0.82%	0.82%	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, 2022 has been revised from the prior year presentation to reflect adjustments processed by PSERS during fiscal year 2023.



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

	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
School District's Proportion of the Net OPEB Liability (Asset)	0.1782%	0.1735%	0.1754%	0.1762%	0.1798%	0.1834%
School District's Proportionate Share of the Net OPEB Liability (Asset)	\$ 3,280	\$ 4,112	\$ 3,790	\$ 3,747	\$ 3,749	\$ 3,737
School District's Covered Payroll	\$ 26,201	\$ 24,597	\$ 24,624	\$ 24,300	\$ 24,208	\$ 24,422
School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	12.52%	16.72%	15.39%	15.42%	15.49%	15.30%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	6.86%	5.30%	5.69%	5.56%	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  
McKeesport Area School District  
McKeesport, Pennsylvania

Dear Members:

The reports contained in this single audit section are required in addition to the financial statements. The various reports for McKeesport Area School District for the period ended June 30, 2023 were prepared to fulfill the requirements of the Government Auditing Standards and the Uniform Grant Guidance. A summary of the reports is 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  
March 6, 2024

**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  
McKeesport Area School District  
McKeesport, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of McKeesport Area School District as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise McKeesport Area School District's basic financial statements, and have issued our report thereon dated March 6, 2024.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered McKeesport Area School District's internal control over financial reporting (internal control) as a basis for designing 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 McKeesport Area School District's internal control. Accordingly, we do not express an opinion on the effectiveness of McKeesport Area School District's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

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 as items 2023-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether McKeesport Area 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **School District's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the School District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The McKeesport Area School District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **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  
March 6, 2024

**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  
McKeesport Area School District  
McKeesport, Pennsylvania

**Report on Compliance for Each Major Federal Program**

***Qualified and Unmodified Opinions***

We have audited McKeesport Area School District's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of McKeesport Area School District's major federal programs for the year ended June 30, 2023. McKeesport Area School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Qualified Opinion on Special Education Cluster***

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Special Education Cluster for the year ended June 30, 2023.

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

In our opinion, McKeesport Area 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, 2023.

***Basis for Qualified and Unmodified Opinion on Each Major Federal Program***

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of McKeesport Area School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of McKeesport Area School District's compliance with the compliance requirements referred to above.

*Matter(s) Giving Rise to Qualified Opinion on Education Stabilization Fund*

As described in the accompanying schedule of findings and questioned costs, McKeesport Area School District did not comply with requirements for ALN No. 84.027 Special Education Cluster as described in finding number 2023-002 for Activities Allowed or Unallowed.

Compliance with such requirements is necessary, in our opinion, for McKeesport Area School District to comply with the requirements applicable to that program.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to McKeesport Area School District's federal programs.

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on McKeesport Area School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about McKeesport Area School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding McKeesport Area School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of McKeesport Area School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 McKeesport Area School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not 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 a 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 2023-003 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on McKeesport Area School District's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. McKeesport Area School District's response was not subjected to the other 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  
March 6, 2024

**McKeesport Area School District  
Schedule of Findings and Questioned Costs  
June 30, 2023**

**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 unmodified.

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:

ALN Number(s)	Name of Federal Program or Cluster
84.425	Education Stabilization Fund
84.027; 84.173	Special Education Cluster
10.555; 10.553; 10.582; 10.559	Child Nutrition Cluster
84.287	21st Century Community Learning Centers

Dollar threshold used to distinguish between type A and type B programs:      \$750,000

Auditee qualified as low-risk auditee?          ✓        yes                                    no

**McKeesport Area School District**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2023**

**EXHIBIT C**

**Section II – Financial Statement Findings**

Material Weaknesses

**2023-001 Monthly Reconciliations**

Condition

There were numerous journal entries required to properly state cash accounts, other assets and liabilities at year end. Unadjusted amounts, cash, receivables, liabilities, revenues and expenditures were materially misstated and went without detection.

Criteria

Internal controls should be in place to ensure that transactions are posted properly in all funds and that management reviews the financial information for all funds monthly and at year end. Management should also ensure monthly reconciliations are performed on a timely basis for all the cash accounts and the other asset and liability accounts are reviewed and analyzed to ensure all transactions are properly reported and recorded.

Cause

Lack of specific procedures in place to be performed on a monthly basis and where procedures were in place they were not being performed. In addition, there was no oversight of the staff or any training of the staff to perform the required monthly closing and review procedures. There was also a lack of management review.

Effect

Internal monthly financial reports prepared by the School District are not accurate.

Recommendation

Management should review the financial statements both monthly and at year end to make sure transactions are posted accurately. Management should perform monthly bank reconciliation on a timely basis. Any differences noted needs to be investigated and adjusted accordingly.

Response

McKeesport Area 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**

**2023-002 Activities Allowed or Unallowed**

Special Education Cluster 84.027  
Passed through Allegheny Intermediate Unit

Compliance Finding

**McKeesport Area School District**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2023**

**EXHIBIT C**

Condition

The School District's support for eligible salaries by employee which was submitted on the reimbursement request form included numerous employees claimed for reimbursement on other federal programs. In addition, the support for nonpayroll expenditures that we were provided by the business office included the same invoices on two different reimbursement request forms.

Criteria

Only allowable costs under the program should be reported and claimed as federal expenditures.

Cause

The School District did not have a proper understanding of what costs were eligible and did not have the proper documentation or support for eligible costs.

Effect

The lack of the proper support for reporting salaries that were allowable costs, and the duplicate reporting of expenses results in questioned costs as a determination of what expenditures were eligible.

Context

There were six employees' wages reported on the claims for reimbursement that were reported as eligible expenses on other federal programs, these wages totaled \$107,703 and are considered questioned costs.

In addition, there were four invoices claimed for reimbursement that were reported on a previous request, these duplicate invoices totaled \$47,220 and are considered questioned costs.

Recommendation

Management should ensure only eligible expenses are reported as federal expenditures and ensure the proper documentation is maintained. The business office personnel and the federal program coordinator should ensure the reports being filed are accurate.

Response

McKeesport Area School District agrees with the finding and the recommended procedures and is attempting to implement improvements over reporting.

**2023-002 Activities Allowed or Unallowed**

Special Education Cluster 84.027

Passed through Allegheny Intermediate Unit

Material Weakness in Internal Control

Condition

The School District was not tracking the IDEA federal expenditures within the general ledger system, or if they were the Business Manager was unaware of the process and was not using the correct expenditures to claim as eligible expenditures.

**McKeesport Area School District**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2023**

**EXHIBIT C**

Criteria

Federal IDEA expenditures should be posted to the federal funding source accounts in the general ledger as they are incurred, and significant adjusting entries reclassing expenditures should be at a minimum. This will allow for the proper reporting of the eligible amounts to claim for reimbursement.

Cause

The School District was not knowledgeable on what expenditures were eligible and allowable for IDEA funding. In addition, the School District was not knowledgeable in determining how to report allowable costs or how to maintain proper support and documentation for those expenditures. Also, there was a lack of communication between the business office and the Special Education coordinator.

Effect

The failure to understand what expenditures are allowable and the failure to properly maintain the correct documentation of the expenditures allows for expenditures to potentially be improperly reported.

Recommendation

Management should ensure only allowable and eligible expenses are reported as federal IDEA expenditures and ensure they have the proper documentation to support those expenditures.

Response

McKeesport Area School District agrees with the finding and the recommended procedures and is attempting to implement improvements over reporting.

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

No prior year’s findings.

**McKeesport Area School District**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2023**

**Exhibit D**

Federal Grantor/ Pass Through Grantor/ Project Title	Source Code	Federal ALN Number	Pass Through Grantor's Number	Grant Period Beginning/ Ending Date	Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue 07/01/22	Revenue Recognized	Expendi- tures	Accrued or (Deferred) Revenue 06/30/23
U.S. Department of Education Impact Aid	D	84.041	N/A	07/01/22-06/30/23	N/A	\$ 21,843	\$ -	\$ 21,843	\$ 21,843	\$ -
Passed through the Pennsylvania Department of Education										
Title I	I	84.010	013-220242	07/01/21-09/30/22	2,202,173	439,681	352,871	233,190	233,190	146,380
Title I	I	84.010	013-230242	08/31/22-09/30/23	2,185,034	1,560,993	-	1,808,119	1,808,119	247,126
Title I Improving Basic Programs	I	84.010	042-220242	08/31/22-09/30/23	319,649	205,489	-	284,652	284,652	79,163
Title I Improving Basic Programs	I	84.010	042-200242	08/05/20-09/30/21	254,414	36,344	36,344	-	-	-
Title I Improving Basic Programs	I	84.010	042-210242	03/13/20-09/30/22	294,055	90,478	7,610	82,868	82,868	-
						<u>2,332,985</u>	<u>396,825</u>	<u>2,408,829</u>	<u>2,408,829</u>	<u>472,669</u>
Sec. Voc. Instruc. Program	I	84.048	380-230057	03/31/23-06/30/23	118,177	118,177	-	118,177	118,177	-
Sec. Voc. Instruc. Program	I	84.048	380-220069	07/14/21-06/30/22	100,936	-	(1,358)	-	-	(1,358)
						<u>118,177</u>	<u>(1,358)</u>	<u>118,177</u>	<u>118,177</u>	<u>(1,358)</u>
Title II Improving Teacher Quality	I	84.367	020-220242	07/01/21-09/30/22	219,785	41,907	24,791	17,116	17,116	-
Title II Improving Teacher Quality	I	84.367	020-230242	08/31/22-09/30/23	225,531	192,305	-	214,392	214,392	22,087
						<u>234,212</u>	<u>24,791</u>	<u>231,508</u>	<u>231,508</u>	<u>22,087</u>
Title IV Student Sup. and Acad. Enrichment	I	84.424	144-230242	08/31/22-09/30/23	176,752	144,321	-	167,054	167,054	22,733
Title IV Student Sup. and Acad. Enrichment	I	84.424	144-220242	07/01/21-09/30/22	171,184	22,913	22,913	-	-	-
						<u>167,234</u>	<u>22,913</u>	<u>167,054</u>	<u>167,054</u>	<u>22,733</u>
21st Century Community Learning Centers	I	84.287	FC#4100083519	07/01/21-06/30/22	400,000	106,399	106,399	-	-	-
21st Century Community Learning Centers	I	84.287	FC#4300083519	07/01/22-06/30/23	400,000	342,693	-	399,999	399,999	57,306
21st Century Community Learning Centers	I	84.287	FC#4100078104	10/01/21-09/30/22	345,000	85,126	32,679	52,447	52,447	-
21st Century Community Learning Centers	I	84.287	FC#4100078104	10/01/22-09/30/23	345,000	109,720	-	157,574	157,574	47,854
						<u>643,938</u>	<u>139,078</u>	<u>610,020</u>	<u>610,020</u>	<u>105,160</u>
							-			-
COVID-19 Elementary & Secondary School Emergency Relief Fund (ESSERS II)	I	84.425D	200-210242	03/13/20-09/30/23	8,405,853	3,662,874	592,980	3,446,087	3,446,087	376,193
COVID-19 SECIM	I	84.425C	252-200242	03/13/20-09/30/22	54,928	11,565	11,565	-	-	-

**McKeesport Area School District**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2023**

**Exhibit D**

Federal Grantor/ Pass Through Grantor/ Project Title	Source Code	Federal ALN Number	Pass Through Grantor's Number	Grant Period Beginning/ Ending Date	Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue 07/01/22	Revenue Recognized	Expendi- tures	Accrued or (Deferred) Revenue 06/30/23
COVID-19 Elementary & Secondary School Emergency Relief Fund (ARP ESSERS)	I	84.425U	223-210242	03/13/20-09/30/24	17,002,609	4,327,937	1,140,542	2,834,246	2,834,246	(353,149)
COVID-19 Elementary & Secondary School Emergency Relief Fund (ARP ESSERS 7%)	I	84.425U	225-210242	03/13/20-09/30/24	1,321,485	312,352	27,338	448,049	448,049	163,035
COVID-19 Elementary & Secondary School Emergency Relief Fund (ARP ESSERS 2.5%)	I	84.425U	224-210242	03/13/20-09/30/24	79,411	79,411	21,642	48,700	48,700	(9,069)
COVID-19 Elementary & Secondary School Emergency Relief Fund (ARP ESSERS 2.5%)	I	84.425U	224-211164	03/13/20-09/30/24	230,907	41,983	(12,595)	41,384	41,384	(13,194)
COVID-19 ARP ESSER Homeless Children and Youth (ARP-HCY)	I	84.425W	181-212250	07/01/21-09/30/24	60,624	23,317	640	35,793	35,793	13,116
						8,459,439	1,782,112	6,854,259	6,854,259	176,932
<b>Special Education Cluster</b>										
Passed through the Allegheny Intermediate Unit										
IDEA B	I	84.027	062-220003	07/01/21-09/30/22	1,144,124	643,095	643,095	-	-	-
IDEA B	I	84.027	062-230003	07/01/22-09/30/23	965,671	57,477	-	965,671	965,671	908,194
IDEA B Section 619	I	84.173	131-220003	07/01/22-06/30/23	6,808	-	-	6,808	6,808	6,808
IDEA B Section 619	I	84.173	131-210003	07/01/21-06/30/22	6,141	6,141	6,141	-	-	-
						706,713	649,236	972,479	972,479	915,002
<b>Total Special Education Cluster</b>						706,713	649,236	972,479	972,479	915,002
<b>Total U.S. Department of Education</b>						12,684,541	3,013,597	11,384,169	11,384,169	1,713,225
<b>U.S. Department of Health and Human Services</b>										
Passed through the Pennsylvania Department of Education										
COVID-19 Public Health Workforce	I	93.354	160-230035	07/01/22-06/30/24	73,609	32,204	-	33,347	33,347	1,143
Passed through the PA Dept. of Public Welfare Title 19 Medical Assistance Reimb. for Admin	I	93.778	N/A	N/A	N/A	73,602	39,881	53,279	53,279	19,558
<b>Total U.S. Depart. of Health and Human Services</b>						105,806	39,881	86,626	86,626	20,701

**McKeesport Area School District**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2023**

**Exhibit D**

Federal Grantor/ Pass Through Grantor/ Project Title	Source Code	Federal ALN Number	Pass Through Grantor's Number	Grant Period Beginning/ Ending Date	Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue 07/01/22	Revenue Recognized	Expendi- tures	Accrued or (Deferred) Revenue 06/30/23
U.S. Department of Agriculture										
Passed through the Pennsylvania										
Department of Education										
National School Lunch Program	I	10.555	N/A	07/01/22-06/30/23	N/A	1,585,789	21,531	1,600,102	1,600,102	35,844
National School Breakfast Program	I	10.553	N/A	07/01/22-06/30/23	N/A	619,604	8,888	628,019	628,019	17,303
Summer Food	I	10.559	N/A	07/01/22-06/30/23	N/A	12,670	-	12,670	12,670	-
Fresh Fruit and Vegetable Program	I	10.582	N/A	07/01/22-06/30/23	N/A	91,816	-	91,816	91,816	-
Passed through the Pennsylvania										
Department of Agriculture										
National School Lunch Program (Donated Commodities Non Cash Assistance)	I	10.555	N/A	07/01/22-06/30/23	N/A	153,483	(28,249)	162,220	162,220	(19,512)
Total Child Nutrition Cluster						<u>2,463,362</u>	<u>2,170</u>	<u>2,494,827</u>	<u>2,494,827</u>	<u>33,635</u>
Passed through the Pennsylvania Dept. of Education										
P-EBT Local Admin Funds	I	10.649	N/A	07/01/22-06/30/23	N/A	628	-	628	628	-
Child Care	I	10.558	N/A	07/01/22-06/30/23	N/A	128,427	-	128,427	128,427	-
Total U.S. Department of Agriculture						<u>2,592,417</u>	<u>2,170</u>	<u>2,623,882</u>	<u>2,623,882</u>	<u>33,635</u>
Total Federal Financial Assistance						<u>\$ 15,382,764</u>	<u>\$ 3,055,648</u>	<u>\$ 14,094,677</u>	<u>\$ 14,094,677</u>	<u>\$ 1,767,561</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards



**McKeesport Area School District**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2023**

**EXHIBIT D**

**Note A - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of McKeesport Area School District under programs of the federal government for the year ended June 30, 2023. 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 McKeesport Area School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of McKeesport Area 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) McKeesport Area 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. The Source Code (D) indicates funds received directly.

**Note D - Reconciliation with Subsidy Confirmation**

Amounts Received Per Schedule	\$ 15,382,764
Add: PA Pre-K Counts	707,142
Add: National School Lunch/Breakfast - State Revenues	70,092
Less: Commodities Received	(153,483)
Less: Passage Through IU's	(706,713)
Less: Title XIX	(73,602)
Less: 21st Century	(643,938)
Less: Impact Aid	(21,843)
	<u>\$ 14,560,419</u>
Per Subsidy Confirmation	<u>\$ 14,560,419</u>
School District	\$ 14,368,054
Tech Center	192,365
	<u>\$ 14,560,419</u>

**Note E - Subrecipients**

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

**McKeesport Area School District  
List of Report Distribution  
June 30, 2023**

**EXHIBIT E**

1 Copy – Bureau of Audits

1 Copy – General Services Administration