

**Clairton City School District**  
**Financial Statements**  
**June 30, 2017**

**Clairton City School District  
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**Independent Auditor's Report**

Members of the Board  
Clairton City School District  
Clairton, Pennsylvania

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clairton City School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Clairton City School District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

## **Report on the Financial Statements (Cont'd)**

### ***Auditor's Responsibility (Cont'd)***

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clairton City School District, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, post-employment benefit information and pension information as shown in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clairton City School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

**Report on the Financial Statements (Cont'd)**

***Other Matters (Cont'd)***

***Other Information (Cont'd)***

Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2018, on our consideration of Clairton City School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Clairton City School District's internal control over financial reporting and compliance.

*Hosack, Specht, Muetzel & Wood LLP*

HOSACK, SPECHT, MUETZEL & WOOD LLP  
Pittsburgh, Pennsylvania  
March 26, 2018

**Clairton City School District**  
**Management's Discussion and Analysis**  
**June 30, 2017**

The discussion and analysis of Clairton City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

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

### **Financial Highlights**

The School District budgeted a beginning general fund balance of \$1,252,171, expenditures in excess of revenues of \$425,034 and an ending fund balance of \$827,137. The actual results were as follows: beginning fund balance of \$1,405,149; expenditures in excess of revenues of \$357,178 and an ending fund balance of \$1,047,971.

The School District maintains a two-tiered real estate tax structure. Land is assessed at 77.85 mills and buildings are assessed at 7.27 mills. There are no plans to change this structure.

For the fiscal year ended June 30, 2017, Clairton City School District had expenditures in excess of revenue for the fourth consecutive year. Although less than expected, this was a 25% decrease in fund balance. Increasing charter school costs, legislated and contractual employee benefit costs and political uncertainty regarding state funding will continue to burden the School District's fund balance. Management must remain vigilant in containing costs while simultaneously exploring options for additional sources of revenue.

### **Using the Annual Financial Report**

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

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

**Clairton City School District**  
**Management's Discussion and Analysis**  
**June 30, 2017**

**Using the Annual Financial Report (Cont'd)**

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

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

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

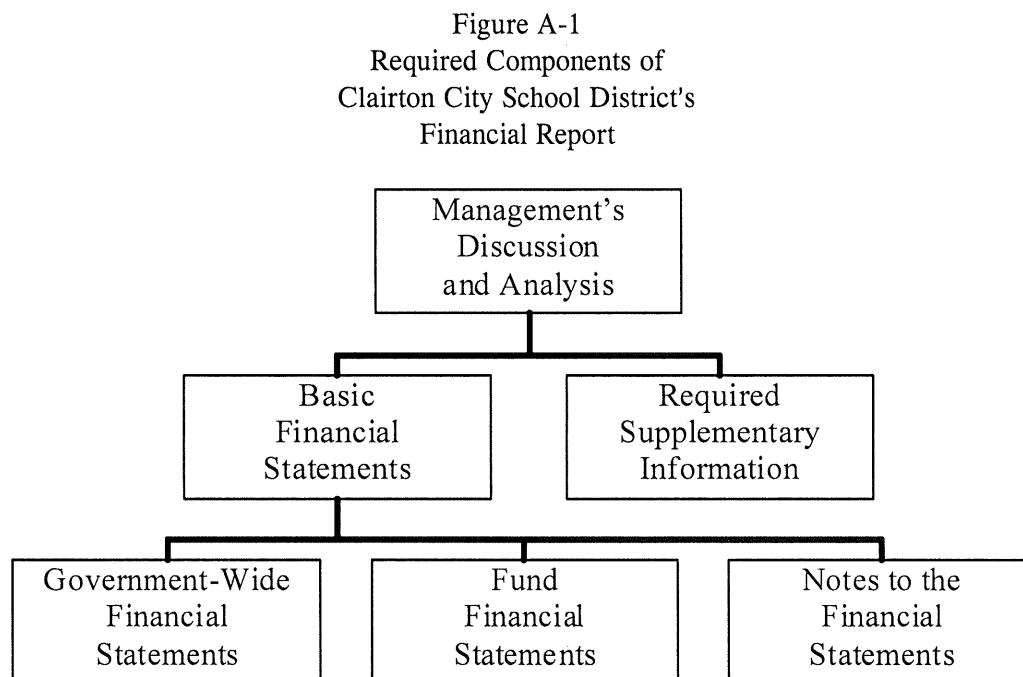


Figure A-2 summarizes the major features of the School District's financial statements, including the portion of the School District they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents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



**Clairton City School District**  
**Management's Discussion and Analysis**  
**June 30, 2017**

**Using the Annual Financial Report (Cont'd)**

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

	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School District (except fiduciary funds)	The activities of the School District that are not proprietary or fiduciary, such as education, administration and community services	Activities the School District operates similar to private business - food services	Instances in which the School District is the trustee or agent to 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

**Overview of Financial Statements**

**Government-Wide Statements**

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

**Clairton City School District**  
**Management's Discussion and Analysis**  
**June 30, 2017**

**Overview of Financial Statements (Cont'd)**

**Government-Wide Statements (Cont'd)**

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

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

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

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

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

**Fund Financial Statements**

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

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

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

**Clairton City School District**  
**Management's Discussion and Analysis**  
**June 30, 2017**

**Overview of Financial Statements (Cont'd)**

**Fund Financial Statements (Cont'd)**

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

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

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

The School District's total net position was a deficit \$(8,645,625) at June 30, 2017 and a deficit \$(7,622,217) at June 30, 2016.

Table A-1  
Years Ended June 30, 2017 and 2016  
Net Position

	2017			2016		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Current and Other Assets	\$ 8,337,699	\$197,051	\$ 8,534,750	\$ 6,664,972	\$ 68,244	\$ 6,733,216
Capital Assets	<u>8,265,228</u>	<u>79,139</u>	<u>8,344,367</u>	<u>6,726,736</u>	<u>59,189</u>	<u>6,785,925</u>
Total Assets	<u>16,602,927</u>	<u>276,190</u>	<u>16,879,117</u>	<u>13,391,708</u>	<u>127,433</u>	<u>13,519,141</u>
Deferred Outflow of Resources	<u>4,223,614</u>	<u>-</u>	<u>4,223,614</u>	<u>2,021,410</u>	<u>-</u>	<u>2,021,410</u>
Current and Other Liabilities	3,291,190	30,780	3,321,970	1,460,950	(3,104)	1,457,846
Noncurrent Liabilities						
Due Within One Year	271,513	-	271,513	200,397	-	200,397
Due in More Than One Year	<u>25,512,873</u>	<u>-</u>	<u>25,512,873</u>	<u>21,379,525</u>	<u>-</u>	<u>21,379,525</u>
Total Liabilities	<u>29,075,576</u>	<u>30,780</u>	<u>29,106,356</u>	<u>23,040,872</u>	<u>(3,104)</u>	<u>23,037,768</u>
Deferred Inflow of Resources	<u>642,000</u>	<u>-</u>	<u>642,000</u>	<u>125,000</u>	<u>-</u>	<u>125,000</u>
Net Position						
Net Investment in Capital Assets	5,549,505	79,139	5,628,644	5,938,615	59,189	5,997,804
Unrestricted	<u>(14,440,540)</u>	<u>166,271</u>	<u>(14,274,269)</u>	<u>(13,691,369)</u>	<u>71,348</u>	<u>(13,620,021)</u>
Total Net Position	<u>\$ (8,891,035)</u>	<u>\$245,410</u>	<u>\$ (8,645,625)</u>	<u>\$ (7,752,754)</u>	<u>\$130,537</u>	<u>\$ (7,622,217)</u>

**Clairton City School District**  
**Management's Discussion and Analysis**  
**June 30, 2017**

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

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

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

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

Table A-2  
Years Ended June 30, 2017 and 2016  
Changes in Net Position

	2017			2016		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$ -	\$110,489	\$ 110,489	\$ -	\$111,090	\$ 111,090
Operating Grants and Contributions	4,471,686	667,233	5,138,919	4,046,837	627,380	4,674,217
General Revenues						
Property Taxes	2,792,347	-	2,792,347	1,870,414	-	1,870,414
Other Taxes	562,218	-	562,218	619,333	-	619,333
Grants, Subsidies & Contribs.						
Unrestricted	7,701,958	-	7,701,958	7,475,097	-	7,475,097
Investment Earnings	3,235	45	3,280	1,436	17	1,453
Miscellaneous Income	<u>113,381</u>	<u>-</u>	<u>113,381</u>	<u>159,638</u>	<u>-</u>	<u>159,638</u>
<b>Total Revenues</b>	<b><u>15,644,825</u></b>	<b><u>777,767</u></b>	<b><u>16,422,592</u></b>	<b><u>14,172,755</u></b>	<b><u>738,487</u></b>	<b><u>14,911,242</u></b>
<b>Expenses</b>						
Instruction	11,339,679	-	11,339,679	10,965,415	-	10,965,415
Instructional Student Support	1,223,197	-	1,223,197	1,117,101	-	1,117,101
Admin. and Fin. Support Svcs.	1,989,789	-	1,989,789	1,630,767	-	1,630,767
Operation and Maintenance						
of Plant Services	1,214,108	-	1,214,108	1,117,436	-	1,117,436
Pupil Transportation	487,388	-	487,388	500,925	-	500,925
Student Activities	449,587	-	449,587	359,534	-	359,534
Community Services	13,718	-	13,718	6,897	-	6,897

**Clairton City School District**  
**Management's Discussion and Analysis**  
**June 30, 2017**

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

Table A-2 (Cont'd)  
Years Ended June 30, 2017 and 2016  
Changes in Net Position

	2017			2016		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Expenses (Cont'd)						
Interest Expense	\$ 65,640	\$ -	\$ 65,640	\$ 54,603	\$ -	\$ 54,603
Food Service	<u>-</u>	<u>662,894</u>	<u>662,894</u>	<u>-</u>	<u>636,204</u>	<u>636,204</u>
Total Expenses	<u>16,783,106</u>	<u>662,894</u>	<u>17,446,000</u>	<u>15,752,678</u>	<u>636,204</u>	<u>16,388,882</u>
Increase (Decrease) in Net Position	(1,138,281)	114,873	(1,023,408)	(1,579,923)	102,283	(1,477,640)
Beginning Net Position	<u>(7,752,754)</u>	<u>130,537</u>	<u>(7,622,217)</u>	<u>(6,172,831)</u>	<u>28,254</u>	<u>(6,144,577)</u>
Ending Net Position	<u>\$(8,891,035)</u>	<u>\$245,410</u>	<u>\$(8,645,625)</u>	<u>\$(7,752,754)</u>	<u>\$130,537</u>	<u>\$(7,622,217)</u>

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

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

Table A-3  
Years Ended June 30, 2017 and 2016  
Governmental Activities

	2017		2016	
Functions/Programs	Total Cost (Expense) of Services	Net Cost (Expense) of Services	Total Cost (Expense) of Services	Net Cost (Expense) of Services
Instruction	\$11,339,679	\$ 7,563,940	\$10,965,415	\$ 7,584,746
Instructional Student Support	1,223,197	1,059,666	1,117,101	943,877

**Clairton City School District  
Management's Discussion and Analysis  
June 30, 2017**

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

Table A-3 (Cont'd)  
Years Ended June 30, 2017 and 2016  
Governmental Activities

	2017		2016	
Functions/Programs (Cont'd)	Total Cost (Expense) Services	Net Cost (Expense) of Services	Total Cost (Expense) of Services	Net Cost (Expense) of Services
Admin. and Financial Support Svcs.	\$ 1,989,789	\$ 1,731,003	\$ 1,630,767	\$ 1,412,532
Operation and Maintenance of Plant Svcs.	1,214,108	1,214,108	1,117,436	1,117,436
Pupil Transportation	487,388	234,712	500,925	245,863
Student Activities	449,587	428,633	359,534	339,887
Community Services	13,718	13,718	6,897	6,897
Interest Expense	<u>65,640</u>	<u>65,640</u>	<u>54,603</u>	<u>54,603</u>
Total Governmental Activities	<u>\$16,783,106</u>	12,311,420	<u>\$15,752,678</u>	11,705,841
Less:				
Unrestricted Grants, Subsidies		<u>(7,701,958)</u>		<u>(7,475,097)</u>
Total Needs from Local Taxes and Other Revenues		<u>\$ 4,609,462</u>		<u>\$ 4,230,744</u>

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

Table A-4  
Years Ended June 30, 2017 and 2016  
Business-Type Activities

	2017		2016	
Functions/Programs	Total Cost (Expense) of Services	Net Cost (Expense) of Services	Total Cost (Expense) of Services	Net Cost (Expense) of Services
Food Service	<u>\$662,894</u>	\$ (114,828)	<u>\$636,204</u>	\$ (102,266)
Less:				
Investment Earnings		<u>(45)</u>		<u>(17)</u>
		<u>\$(114,873)</u>		<u>\$(102,283)</u>

**Clairton City School District**  
**Management's Discussion and Analysis**  
**June 30, 2017**

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

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

**School District Funds**

At June 30, 2017, the School District's governmental funds reported a combined fund balance of \$1,100,551, which is a decrease of \$385,391. The primary reason for this decrease is that during the year ended June 30, 2017, the School District's local revenues did not meet budget expectations. The School District had budgeted to use \$425,034 of the beginning fund balance to balance the budget and this was not all needed.

**General Fund Budget**

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

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

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

**Capital Assets and Debt Administration**

**Capital Assets**

At June 30, 2017, the School District had \$8,265,228 invested in a broad range of capital assets, including, land, land improvements, buildings and furniture and equipment with the majority of the total \$7,546,425 invested in buildings and building improvements.

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

	2017	2016
Land	\$ 495,122	\$ 495,122
Land Improvements	49,296	79,860

**Clairton City School District**  
**Management's Discussion and Analysis**  
**June 30, 2017**

**Capital Assets and Debt Administration (Cont'd)**

Capital Assets (Cont'd)

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

	2017	2016
Buildings and Building Improvements	\$7,546,425	\$5,899,168
Furniture and Equipment	174,385	252,586

Debt Administration

As of July 1, 2017 and 2016, the School District had no outstanding bonds.

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

At July 1, 2016, the School District had outstanding general obligation notes with a balance of \$788,120. During the 2016/2017 school year, an additional note in the amount of \$2,030,000 was issued and principal payments of \$102,397 were made leaving an outstanding balance of \$2,715,723 as of June 30, 2017.

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

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

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

The comparison of revenue and expenditure categories is as follows:

Table A-6

	Budgeted Revenue 2016/2017	Actual Revenue 2016/2017
Local	26.07%	19.70%
State	67.64%	62.98%
Federal/Other	6.29%	17.32%



**Clairton City School District  
Management's Discussion and Analysis  
June 30, 2017**

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

	Budgeted Expenditures 2016/2017	Actual Expenditures 2016/2017
Instruction	69.75 %	59.04 %
Support Services	26.87 %	26.39 %
Noninstructional	2.07 %	2.51 %
Fund Transfers/Debt/Other	1.31 %	12.06 %

**Contacting the School District Financial Management**

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

**Clairton City School District**  
**Statement of Net Position**  
**June 30, 2017**

**Exhibit 1**

	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 3,521,491	\$154,951	\$ 3,676,442
Taxes Receivable, Net	4,039,929	-	4,039,929
Internal Balances	43,367	(43,367)	-
Due from Other Governments	726,443	2,979	729,422
Other Receivables	6,469	-	6,469
Inventories	-	11,134	11,134
Prepaid Items	-	71,354	71,354
Capital Assets not Being Depreciated			
Land	495,122	-	495,122
Capital Assets, Net of Accumulated Depreciation			
Land Improvements	49,296	-	49,296
Buildings and Building Improvements	7,546,425	-	7,546,425
Furniture and Equipment	<u>174,385</u>	<u>79,139</u>	<u>253,524</u>
<b>TOTAL ASSETS</b>	<u>16,602,927</u>	<u>276,190</u>	<u>16,879,117</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Amounts Related to Pensions	<u>4,223,614</u>	<u>-</u>	<u>4,223,614</u>
<b>LIABILITIES</b>			
Accounts Payable	2,022,233	25,406	2,047,639
Accrued Salaries and Benefits	1,127,195	-	1,127,195
Payroll Deductions and Withholdings	49,670	-	49,670
Unearned Revenues	82,493	5,374	87,867
Other Current Liabilities	9,599	-	9,599
Noncurrent Liabilities			
Due Within One Year	271,513	-	271,513
Due in More Than One Year			
Notes Payable	2,542,210	-	2,542,210
Compensated Absences	108,250	-	108,250
Other Post-Employment Benefits	165,413	-	165,413
Net Pension Liability	<u>22,697,000</u>	<u>-</u>	<u>22,697,000</u>
<b>TOTAL LIABILITIES</b>	<u>29,075,576</u>	<u>30,780</u>	<u>29,106,356</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Amounts Related to Pensions	<u>642,000</u>	<u>-</u>	<u>642,000</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	5,549,505	79,139	5,628,644
Unrestricted	<u>(14,440,540)</u>	<u>166,271</u>	<u>(14,274,269)</u>
<b>TOTAL NET POSITION</b>	<u>\$ (8,891,035)</u>	<u>\$245,410</u>	<u>\$ (8,645,625)</u>

See Accompanying Notes

**Clairton City School District**  
**Statement of Activities**  
**Year Ended June 30, 2017**

**Exhibit 2**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Govern- mental Activities	Business- Type Activities	Totals
Governmental Activities						
Instruction	\$11,339,679	\$ -	\$3,775,739	\$ (7,563,940)	\$ -	\$ (7,563,940)
Instructional Student Support	1,223,197	-	163,531	(1,059,666)	-	(1,059,666)
Administrative and Financial Support Services	1,989,789	-	258,786	(1,731,003)	-	(1,731,003)
Operation and Maintenance of Plant Services	1,214,108	-	-	(1,214,108)	-	(1,214,108)
Pupil Transportation	487,388	-	252,676	(234,712)	-	(234,712)
Student Activities	449,587	-	20,954	(428,633)	-	(428,633)
Community Services	13,718	-	-	(13,718)	-	(13,718)
Interest on Long-Term Debt	65,640	-	-	(65,640)	-	(65,640)
Total Governmental Activities	<u>16,783,106</u>	<u>-</u>	<u>4,471,686</u>	<u>(12,311,420)</u>	<u>-</u>	<u>(12,311,420)</u>
Business-Type Activities						
Food Service	662,894	110,489	667,233	-	114,828	114,828
Total Primary Government	<u>\$17,446,000</u>	<u>\$110,489</u>	<u>\$5,138,919</u>	<u>(12,311,420)</u>	<u>114,828</u>	<u>(12,196,592)</u>
General Revenues						
Taxes						
Property Taxes Levied for General Purposes, Net				2,792,347	-	2,792,347
Earned Income Taxes				393,954	-	393,954
Business Privilege Taxes				89,443	-	89,443
Other Taxes Levied for General Purposes, Net				78,821	-	78,821
Grants, Subsidies and Contributions not Restricted				7,701,958	-	7,701,958
Investment Earnings				3,235	45	3,280
Miscellaneous Income				113,381	-	113,381
Total General Revenues				<u>11,173,139</u>	<u>45</u>	<u>11,173,184</u>
Change in Net Position				(1,138,281)	114,873	(1,023,408)
Net Position - July 1, 2016				<u>(7,752,754)</u>	<u>130,537</u>	<u>(7,622,217)</u>
Net Position - June 30, 2017				<u>\$ (8,891,035)</u>	<u>\$245,410</u>	<u>\$ (8,645,625)</u>

See Accompanying Notes

**Clairton City School District**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2017**

**Exhibit 3**

	General Fund	Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$3,468,911	\$52,580	\$3,521,491
Taxes Receivable, Net	4,039,929	-	4,039,929
Due from Other Funds	43,367	-	43,367
Due from Other Governments	726,443	-	726,443
Other Receivables	<u>6,469</u>	<u>-</u>	<u>6,469</u>
<b>TOTAL ASSETS</b>	<b><u>\$8,285,119</u></b>	<b><u>\$52,580</u></b>	<b><u>\$8,337,699</u></b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities			
Accounts Payable	\$2,022,233	\$ -	\$2,022,233
Accrued Salaries and Benefits	1,127,195	-	1,127,195
Payroll Deductions and Withholdings	49,670	-	49,670
Unearned Revenues	<u>82,493</u>	<u>-</u>	<u>82,493</u>
<b>Total Liabilities</b>	<b><u>3,281,591</u></b>	<b><u>-</u></b>	<b><u>3,281,591</u></b>
Deferred Inflows of Resources			
Unavailable Revenues - Property Taxes	<u>3,955,557</u>	<u>-</u>	<u>3,955,557</u>
Fund Balances			
Committed	-	52,580	52,580
Unassigned	<u>1,047,971</u>	<u>-</u>	<u>1,047,971</u>
<b>Total Fund Balances</b>	<b><u>1,047,971</u></b>	<b><u>52,580</u></b>	<b><u>1,100,551</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b><u>\$8,285,119</u></b>	<b><u>\$52,580</u></b>	<b><u>\$8,337,699</u></b>

See Accompanying Notes

**Clairton City School District**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**June 30, 2017**

**Exhibit 4**

Total Fund Balances - Governmental Funds	\$ 1,100,551
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$18,776,600, and the accumulated depreciation is \$10,511,372.	8,265,228
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Property taxes receivable will be collected next year but are not available soon enough to pay for the current period's expenditures and therefore, are deferred inflows in the funds.	3,955,557
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Some liabilities including net pension obligations, are not due and payable in the current period and therefore, are not reported in the funds.

Net Pension Liability	(22,697,000)
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore, are not reported in the funds.

Deferred Outflows of Resources Related to Pensions	\$ 4,223,614	
Deferred Inflows of Resources Related to Pensions	<u>(642,000)</u>	3,581,614

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

Accrued Interest Payable	(9,599)	
Notes Payable	(2,715,723)	
Other Post-Employment Benefits Payable	(165,413)	
Compensated Absences	<u>(206,250)</u>	<u>(3,096,985)</u>

Total Net Position - Governmental Activities	\$(8,891,035)
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See Accompanying Notes

**Clairton City School District**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2017**

**Exhibit 5**

	General Fund	Nonmajor Funds	Total Governmental Funds
Revenues			
Local Sources	\$ 3,436,384	\$ 29	\$ 3,436,413
State Sources	10,981,603	-	10,981,603
Federal Sources	<u>989,419</u>	<u>-</u>	<u>989,419</u>
Total Revenues	<u>15,407,406</u>	<u>29</u>	<u>15,407,435</u>
Expenditures			
Instruction	10,505,743	-	10,505,743
Support Services	4,695,980	28,242	4,724,222
Noninstructional Services	446,482	-	446,482
Capital Outlay	1,987,854	-	1,987,854
Debt Service	<u>158,525</u>	<u>-</u>	<u>158,525</u>
Total Expenditures	<u>17,794,584</u>	<u>28,242</u>	<u>17,822,826</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,387,178)</u>	<u>(28,213)</u>	<u>(2,415,391)</u>
Other Financing Sources			
Issuance of Notes Payable	<u>2,030,000</u>	<u>-</u>	<u>2,030,000</u>
Net Changes in Fund Balances	(357,178)	(28,213)	(385,391)
Fund Balances - July 1, 2016	<u>1,405,149</u>	<u>80,793</u>	<u>1,485,942</u>
Fund Balances - June 30, 2017	<u>\$ 1,047,971</u>	<u>\$ 52,580</u>	<u>\$ 1,100,551</u>

See Accompanying Notes

**Clairton City School District  
Reconciliation of the Governmental Funds  
Statement of Revenues, Expenditures  
and Changes in Fund Balances  
to the Statement of Activities  
Year Ended June 30, 2017**

**Exhibit 6**

Total Net Change in Fund Balances - Governmental Funds	\$ (385,391)
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation in the period.

Depreciation Expense	\$ (449,313)	
Capital Outlays	<u>1,987,805</u>	1,538,492

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

237,390

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

102,397

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

(2,030,000)

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	875	
Other Post-Employment Benefits	<u>18,264</u>	19,139

**Clairton City School District  
Reconciliation of the Governmental Funds  
Statement of Revenues, Expenditures  
and Changes in Fund Balances  
to the Statement of Activities  
Year Ended June 30, 2017**

**Exhibit 6**

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

Net Change in Accrued Interest on Bonds	\$ (9,512)
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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.

School District Pension Contributions to PSERS	\$ 1,736,344	
Cost of Benefits Earned	<u>(2,347,140)</u>	<u>(610,796)</u>

Change in Net Position of Governmental Activities	\$ <u>(1,138,281)</u>
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See Accompanying Notes



**Clairton City School District**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2017**

**Exhibit 7**

	Food Service Fund
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$154,951
Due from Other Governments	2,979
Inventories	11,134
Prepaid Items	<u>71,354</u>
Total Current Assets	<u>240,418</u>
Noncurrent Assets	
Furniture and Equipment, Net	<u>79,139</u>
TOTAL ASSETS	<u>319,557</u>
LIABILITIES	
Due to Other Funds	43,367
Accounts Payable	25,406
Unearned Revenues	<u>5,374</u>
TOTAL LIABILITIES	<u>74,147</u>
NET POSITION	
Net Investment in Capital Assets	79,139
Unrestricted	<u>166,271</u>
TOTAL NET POSITION	<u>\$245,410</u>

See Accompanying Notes

**Clairton City School District**  
**Statement of Revenues, Expenses and Changes**  
**in Net Position**  
**Proprietary Funds**  
**Year Ended June 30, 2017**

**Exhibit 8**

	Food Service Fund
Operating Revenues	
Food Service Revenue	\$ <u>110,489</u>
Operating Expenses	
Purchased Property Services	5,376
Other Purchased Services	643,309
Supplies	3,359
Depreciation	10,371
Other Operating Expenditures	<u>479</u>
Total Operating Expenses	<u>662,894</u>
Operating Income (Loss)	<u>(552,405)</u>
Nonoperating Revenues (Expenses)	
Earnings on Investments	45
State Sources	23,133
Federal Sources	<u>644,100</u>
Total Nonoperating Revenues (Expenses)	<u>667,278</u>
Change in Net Position	114,873
Net Position - July 1, 2016	<u>130,537</u>
Net Position - June 30, 2017	<u>\$ 245,410</u>

See Accompanying Notes

**Clairton City School District  
Statement of Cash Flows  
Proprietary Fund Types  
Year Ended June 30, 2017**

**Exhibit 9**

	Food Service Fund
Cash Flows from Operating Activities	
Cash Received from Users	\$ 110,134
Cash Payments to Suppliers for Goods and Services	(615,308)
Cash Payments for Other Operating Expenses	<u>(479)</u>
Net Cash Used for Operating Activities	<u>(505,653)</u>
Cash Flows from Non-Capital Financing Activities	
State Sources	23,325
Federal Sources	<u>614,687</u>
Net Cash Provided by Non-Capital Financing Activities	<u>638,012</u>
Cash Flows from Capital and Related Financing Activities	
Facilities, Acquisition/Const./Imp. Services	<u>(30,321)</u>
Cash Flows from Investing Activities	
Earnings on Investments	<u>45</u>
Net Increase in Cash and Cash Flows	102,083
Cash and Cash Equivalents - July 1, 2016	<u>52,868</u>
Cash and Cash Equivalents - June 30, 2017	<u>\$ 154,951</u>

Clairton City School District  
Statement of Cash Flows  
Proprietary Fund Types  
Year Ended June 30, 2017

Exhibit 9

	Food Service Fund
Operating Income (Loss)	<u>\$(552,405)</u>
Adjustments to Reconcile Operating Income	
(Loss) to Net Cash Used for Operating Activities	
Depreciation	10,371
Donated Commodities	30,609
Advances to Other Funds	9,690
(Increase) Decrease in Inventories	(125)
(Increase) Decrease in Prepaid Items	(71,354)
Increase (Decrease) in Accounts Payable	24,549
Increase (Decrease) in Advances from Other Funds	43,367
Increase (Decrease) in Unearned Revenue	<u>(355)</u>
Total Adjustments	<u>46,752</u>
Cash Used for Operating Activities	<u>\$(505,653)</u>
Noncash Non-Capital Financing Activities	
During the year ended June 30, 2017, the School District received	
\$30,254 of U. S. D. A. Donated Commodities in the food service fund.	

See Accompanying Notes

Clairton City School District  
Statement of Net Position  
Fiduciary Funds  
June 30, 2017

Exhibit 10

	Agency Fund
ASSETS	
Cash and Cash Equivalents	\$ <u>4,390</u>
LIABILITIES	
Other Current Liabilities	<u>4,390</u>
NET POSITION	\$ <u>      </u> -

See Accompanying Notes

**Clairton City School District**  
**Notes to Financial Statements**  
**June 30, 2017**

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

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

**A. Basic Financial Statements - Government-Wide Statements**

The School District's basic financial statements include both government-wide (reporting the School District as a whole) and fund financial statements (reporting the School District's major funds). The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of Clairton City School District. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. In the government-wide statement of net position, governmental activities are represented on a consolidated basis by column.

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

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

**B. Basic Financial Statements - Fund Financial Statements**

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

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

**Clairton City School District**  
**Notes to Financial Statements**  
**June 30, 2017**

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

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

**1. Governmental Funds**

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

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

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

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

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

**2. Proprietary Funds**

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

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

**3. Fiduciary Funds**

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

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

**Clairton City School District**  
**Notes to Financial Statements**  
**June 30, 2017**

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

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

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

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

**C. Measurement Focus and Basis of Accounting**

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

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.



**Clairton City School District**  
**Notes to Financial Statements**  
**June 30, 2017**

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

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

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

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

**D. Joint Ventures**

The School District is one of ten member school districts of the Steel Center Area Vocational-Technical School ("Steel Center"). Steel Center provides vocational-technical training and education to participating students of the member districts. Steel Center is controlled and governed by the Joint Board, which is composed of all the school board members of all the member districts. Direct oversight of Steel Center's operations is the responsibility of the Joint Committee, which consists of one representative from each participating school district. No member of the Jointure exercises specific control over the fiscal policies or operations of Steel Center. The School District's share of annual administrating, operating and capital costs for Steel Center fluctuates, based on the percentage of enrollment of each member district in school. The School District's financial obligation to Steel Center for the year ended June 30, 2017 was \$203,509 which has been reported in the School District's general fund. The School District has no equity interest in Steel Center as of June 30, 2017. Complete financial statements for Steel Center can be obtained from the administrative offices at 545 Lewis Run Road, Jefferson Hills, PA 15025.

**E. Cash and Cash Equivalents**

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

**Clairton City School District**  
**Notes to Financial Statements**  
**June 30, 2017**

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

**F. Investments**

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

**G. Budgets**

The School Board approves, prior to the beginning of each year, an annual budget on the modified accrual basis of accounting for the general fund. This is the only fund for which a budget is required and for which taxes may be levied. The general fund is the only fund that has an annual budget that has been legally adopted by the School Board. The Public School Code allows the School Board to authorize budget transfer amendments during the year, but only during the last nine months of the fiscal year. The School Board may approve budget transfers throughout the school year. There were no supplemental budgetary appropriations made during the year ended June 30, 2017.

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

**H. Receivables and Payables**

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

**I. Inventories**

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

**Clairton City School District**  
**Notes to Financial Statements**  
**June 30, 2017**

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

**I. Inventories (Cont'd)**

Inventories in governmental funds are stated at cost by the first-in, first-out method. The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, an estimated value of inventories is reported as an asset in the general fund, if considered material. There was no material inventory balance as of June 30, 2017.

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, 2017 are reported as unavailable revenue.

**J. Prepaid Items**

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

**K. Capital Assets**

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

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

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

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

**Clairton City School District**  
**Notes to Financial Statements**  
**June 30, 2017**

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

**K. Capital Assets (Cont'd)**

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

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

**L. Deferred Outflows/Inflows of Resources**

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

**M. Long-Term Obligations**

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

**Clairton City School District**  
**Notes to Financial Statements**  
**June 30, 2017**

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

**M. Long-Term Obligations (Cont'd)**

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

**N. Compensated Absences**

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

**O. Defining Operating Revenues and Expenses**

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

**P. Equity Classifications**

**Government-Wide Statements**

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

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

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

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

**Clairton City School District**  
**Notes to Financial Statements**  
**June 30, 2017**

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

**P. Equity Classifications (Cont'd)**

**Fund Statements - Fund Balance**

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

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

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

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

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

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

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

The committed fund balance of \$52,580 in the capital projects fund is for future capital improvements.

**Clairton City School District**  
**Notes to Financial Statements**  
**June 30, 2017**

**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, 2017, \$3,116,658 of the School District's bank balance of \$3,616,658 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>\$3,116,658</u>

As of June 30, 2017, the School District had the following investments:

Investments	Fair Value
PSDLAF	\$ 930
PLGIT	<u>115,202</u>
	<u>\$116,132</u>

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

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

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

**Investments**

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

**Clairton City School District**  
**Notes to Financial Statements**  
**June 30, 2017**

**Note 2 - Deposits and Investments (Cont'd)**

Investments (Cont'd)

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

Fair Value of Investments

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

The School District had no investments that required disclosure as of June 30, 2017 under this hierarchy.

**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 2016/2017 was 77.85 mills on land (\$77.85 per \$1,000 assessed valuation) and 7.266 mills on buildings (\$7.27 per \$1,000 assessed valuation). The tax calendar for real estate taxes levied for 2016/2017 is as follows:

Tax Levy Date	July 1, 2016
2% Discount Period	Through August 31, 2016
Face Payment Period	September 1 - October 31, 2016
10% Penalty Period	November 1 Until Liened
Lien Filing Date	January 15, 2017

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 \$3,955,557, along with other taxes receivable of \$84,372.



**Clairton City School District**  
**Notes to Financial Statements**  
**June 30, 2017**

**Note 4 - Due from Other Governments**

Amounts due from other governments represent receivables for revenues earned by the School District. At June 30, 2017, the following amounts are due from other governmental units:

	Governmental Funds	Enterprise Fund	Totals
Federal (through the state)	\$109,226	\$2,979	\$112,205
State	<u>617,217</u>	<u>-</u>	<u>617,217</u>
	<u>\$726,443</u>	<u>\$2,979</u>	<u>\$729,422</u>

**Note 5 - Capital Assets**

Capital asset activity for the year ended June 30, 2017 was as follows:

	Balance 07/01/16	Additions	Disposals	Balance 06/30/17
<b>Governmental Activities</b>				
Capital Assets not Being Depreciated				
Land	\$ <u>495,122</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>495,122</u>
Capital Assets Being Depreciated				
Land Improvements	729,380	-	-	729,380
Buildings and Building Improvements	13,835,407	1,986,405	-	15,821,812
Furniture and Equipment	<u>1,728,886</u>	<u>1,400</u>	<u>-</u>	<u>1,730,286</u>
Total Capital Assets Being Depreciated	<u>16,293,673</u>	<u>1,987,805</u>	<u>-</u>	<u>18,281,478</u>
Less Accumulated Depreciation				
Land Improvements	649,520	30,564	-	680,084
Buildings and Building Improvements	7,936,239	339,148	-	8,275,387
Furniture and Equipment	<u>1,476,300</u>	<u>79,601</u>	<u>-</u>	<u>1,555,901</u>
Total Accumulated Depreciation	<u>10,062,059</u>	<u>449,313</u>	<u>-</u>	<u>10,511,372</u>
Total Capital Assets Being Depreciated, Net	<u>6,231,614</u>	<u>1,538,492</u>	<u>-</u>	<u>7,770,106</u>
<b>Governmental Activities</b>				
Capital Assets, Net	\$ <u>6,726,736</u>	\$ <u>1,538,492</u>	\$ <u>-</u>	\$ <u>8,265,228</u>

**Clairton City School District**  
**Notes to Financial Statements**  
**June 30, 2017**

**Note 5 - Capital Assets (Cont'd)**

	Balance 07/01/16	Additions	Disposals	Balance 06/30/17
Business-Type Activities				
Furniture and Equipment	\$ 460,732	\$ 30,321	\$ -	\$ 491,053
Less Accumulated Depreciation	<u>401,543</u>	<u>10,371</u>	<u>-</u>	<u>411,914</u>
Business-Type Capital Assets, Net	<u>\$ 59,189</u>	<u>\$ 19,950</u>	<u>\$ -</u>	<u>\$ 79,139</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities	
Instruction	\$ 406,201
Instructional Student Support	31,126
Administration and Financial Support Services	1,335
Operation and Maintenance of Plant Services	2,944
Pupil Transportation	6,179
Student Activities	<u>1,528</u>
 Total Depreciation Expense	 <u>\$ 449,313</u>
Business-Type Activities	
Food Service	<u>\$ 10,371</u>

**Note 6 - Interfund Balances**

Interfund balances at June 30, 2017 were:

	Interfund Receivable	Interfund Payable
General Fund	\$43,367	\$ -
Proprietary Fund		
Food Service Fund	<u>-</u>	<u>43,367</u>
	<u>\$43,367</u>	<u>\$43,367</u>

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

**Clairton City School District**  
**Notes to Financial Statements**  
**June 30, 2017**

**Note 7 - Long-Term Debt**

The following are changes in the long-term liabilities for the year ended June 30, 2017:

	Balance 07/01/16	Additions	Retirements	Balance 06/30/17	Due Within One Year
Governmental Activities					
General Obligation Notes	\$788,120	\$2,030,000	\$102,397	\$2,715,723	\$173,513
Compensated Absences	<u>207,125</u>	<u>-</u>	<u>875</u>	<u>206,250</u>	<u>98,000</u>
	<u>\$995,245</u>	<u>\$2,030,000</u>	<u>\$103,272</u>	<u>\$2,921,973</u>	<u>\$271,513</u>

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

Note payable to a bank, monthly payments of \$7,639,  
including interest at 4.48% per annum, with payments  
through September 2025 \$ 631,664

Note payable to a bank, monthly payments of \$3,498,  
including interest at 1.91% per annum, with payments  
through October 2018 54,059

General obligation notes, Series of 2017, yearly  
payments of \$150,630, including interest at 4.10%  
per annum, with payments through May 2037 2,030,000

\$2,715,723

The annual requirements of School District funds to amortize all debt outstanding (excluding compensated absences)  
as of June 30, 2017, including interest, are as follows:

Year Ended June 30,	General Obligation Notes		Totals
	Principal	Interest	
2018	\$ 173,513	\$ 110,766	\$ 284,279
2019	150,695	104,418	255,113
2020	140,908	98,398	239,306
2021	150,140	92,167	242,307
2022	156,642	85,665	242,307
2023-2027	727,836	326,601	1,054,437
2028-2032	547,195	205,956	753,151
2033-2037	<u>668,794</u>	<u>84,358</u>	<u>753,152</u>
	<u>\$2,715,723</u>	<u>\$1,108,329</u>	<u>\$3,824,052</u>

**Clairton City School District**  
**Notes to Financial Statements**  
**June 30, 2017**

**Note 8 - Short-Term Debt - Tax Anticipation Notes**

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

Short-term debt activity for the year ended June 30, 2017 is as follows:

	Balance 07/01/16	Issued	Redeemed	Balance 06/30/17
Tax Anticipation Notes	\$ <u>      -</u>	<u>\$2,000,000</u>	<u>\$2,000,000</u>	\$ <u>      -</u>

**Note 9 - Operating Leases**

The School District is committed under various leases for photocopiers and other equipment. These leases are considered, for accounting purposes, to be operating leases. Total payments made on these leases for the year ended June 30, 2017 were \$75,954. Future minimum payments for these leases are as follows:

Year Ended June 30,	Amount
2018	\$ 77,374
2019	25,734
2020	8,520
2021	<u>1,420</u>
	<u>\$113,048</u>

**Note 10 - Public School Employees' Retirement System (PSERS)**

**A. Summary of Significant Accounting Policies**

**Pensions**

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

**Clairton City School District**  
**Notes to Financial Statements**  
**June 30, 2017**

**Note 10 - Public School Employees' Retirement System (PSERS) (Cont'd)**

**B. General Information about the Pension Plan**

**1. Plan Description**

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

**2. Benefits Provided**

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

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

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

**Clairton City School District**  
**Notes to Financial Statements**  
**June 30, 2017**

**Note 10 - Public School Employees' Retirement System (PSERS) (Cont'd)**

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

**3. Contributions**

**Member Contributions**

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

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

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

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

**Employer Contributions**

The School District's contractually required contribution rate for fiscal year ended June 30, 2017 was 29.20% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School District were \$1,736,344 for the year ended June 30, 2017.

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

At June 30, 2017, the School District reported a liability of \$22,697,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2015 to June 30, 2016. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2016, the School District's proportion was 0.0458%, which was a decrease of 0.0013% from its proportion measured as of June 30, 2015.

**Clairton City School District**  
**Notes to Financial Statements**  
**June 30, 2017**

**Note 10 - Public School Employees' Retirement System (PSERS) (Cont'd)**

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

For the year ended June 30, 2017, the School District recognized pension expense of \$2,347,140. At June 30, 2017, 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
Changes in assumptions	\$ 819,000	\$ -
Net difference between expected and actual experience	-	189,000
Net difference between projected and actual investment earnings	1,265,000	-
Changes in proportions	340,000	453,000
Difference between employer contributions and proportionate share of total contributions	63,270	-
Contributions subsequent to the measurement date	<u>1,736,344</u>	<u>-</u>
	<u>\$4,223,614</u>	<u>\$642,000</u>

\$1,736,344 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, 2017. 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,	
2018	\$ 408,613
2019	408,613
2020	663,227
2021	<u>364,817</u>
	<u>\$1,845,270</u>

**Clairton City School District**  
**Notes to Financial Statements**  
**June 30, 2017**

**Note 10 - Public School Employees' Retirement System (PSERS) (Cont'd)**

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

**1. Changes in Actuarial Assumptions**

The total pension liability as of June 30, 2016 was determined by rolling forward the System's total pension liability as of the June 30, 2015 actuarial valuation to June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

Changes in assumptions used in measurement of the total pension liability beginning June 30, 2016.

- The investment rate of return was adjusted from 7.50% to 7.25%.
- The inflation assumption was decreased from 3.00% to 2.75%.
- Salary growth changed from an effective average of 5.50%, which was comprised of inflation of 3.00% real wage growth and for merit or seniority increases of 2.50%, to an effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were modified from the RP-2000 combined healthy annuitant tables (male and female) with age set back 3 years for both males and females to 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. For disabled annuitants, the RP-2000 combined disabled tables (male and female) with age set back 7 years for males and 3 years for females to the RP-2014 mortality tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 mortality improvement scale. The actuarial assumptions used in the June 30, 2016 valuation were based on the experience study that was performed for the five-year period ending June 30, 2015. The recommended assumption changes based on this experience study were adopted by the Board at its June 10, 2016 Board meeting and were effective beginning with the June 30, 2016 actuarial valuation.

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

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



**Clairton City School District**  
**Notes to Financial Statements**  
**June 30, 2017**

**Note 10 - Public School Employees' Retirement System (PSERS) (Cont'd)**

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

1. Changes in Actuarial Assumptions (Cont'd)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	22.5%	5.3%
Fixed income	28.5%	2.1%
Commodities	8.0%	2.5%
Absolute return	10.0%	3.3%
Risk parity	10.0%	3.9%
Infrastructure/MLPs	5.0%	4.8%
Real estate	12.0%	4.0%
Alternate investments	15.0%	6.6%
Cash	3.0%	0.2%
Financing (LIBOR)	(14.0)%	0.5%
	<u>100%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2016.

2. Discount Rate

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

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

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

**Clairton City School District**  
**Notes to Financial Statements**  
**June 30, 2017**

**Note 10 - Public School Employees' Retirement System (PSERS) (Cont'd)**

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

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

	(In thousands)		
	1.00%	Current	1.00%
	Decrease	Discount Rate	Increase
	6.25%	7.25%	8.25%
School District's proportionate share of the net pension liability	\$27,765	\$22,697	\$18,439

4. Pension Plan Fiduciary Net Position

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

**Note 11 - Contingent Liabilities**

Clairton City School District participates in a number of federally assisted grant programs, principal of which are Title I and National School Lunch Program. The programs are subject to program compliance audits by the grantors or their representatives. The audits of some of these programs for and including the year ended June 30, 2017 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 - Post-Employment Healthcare Plan**

A. Plan Description

Clairton City School District administers a single-employer defined benefit healthcare plan ("the Supplemental Health Plan"). The plan provides medical, dental, vision, and life benefits for the employees who meet the eligibility requirements upon retirement. Teachers and administrators are referred to as professional employees (PEs). The benefits provided are for the eligible retirees and their spouses through the School

**Clairton City School District**  
**Notes to Financial Statements**  
**June 30, 2017**

**Note 12 - Post-Employment Healthcare Plan (Cont'd)**

**A. Plan Description (Cont'd)**

District group health insurance plan which covers both active and retired members. Benefit provisions are mostly established through negotiations between the School District and union or group representing the employees. The plan does not issue a publicly available financial report.

**B. Funding Policy**

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

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

For the year ended June 30, 2017, the School District contributed \$226,317. Plan members receiving benefits contributed \$15,228. The plan is financed on a pay-as-you-go basis.

2) Life Insurance

Under a previous plan retirement incentive, eligible employees are to receive life insurance for the duration of their lives.

**C. Annual OPEB Cost and Net OPEB Obligation**

The School District's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (funding excess) over a period not to exceed thirty years. The following table shows the components of the School District's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the School District's net OPEB obligation. Information for the year ended June 30, 2017 is the most recent required and available.

**Clairton City School District**  
**Notes to Financial Statements**  
**June 30, 2017**

**Note 12 - Post-Employment Healthcare Plan (Cont'd)**

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

Annual Required Contribution	\$ 249,075
Interest on Net OPEB Obligation	5,510
Adjustment to Annual Required Contribution	<u>(11,986)</u>
Annual OPEB Cost (Expense)	242,599
Contributions Made	<u>(260,863)</u>
Increase in OPEB Obligation	(18,264)
Net OPEB Obligation - Beginning of Year	<u>183,677</u>
Net OPEB Obligation - End of Year	<u>\$ 165,413</u>

The School District's OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the years ended June 30, 2017, 2016 and 2015, is as follows.

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/17	\$242,599	107.53 %	\$165,413
06/30/16	244,375	97.04 %	183,677
06/30/15	245,533	87.84 %	176,450

**D. Funded Status and Funding Progress**

As of July 1, 2014, the actuarial accrued liability for benefits was \$2,282,544, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$6,157,802 and the ratio of unfunded actuarial accrued liability to the covered payroll was 37.06%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Multi-year information will be presented in future years.

**Clairton City School District**  
**Notes to Financial Statements**  
**June 30, 2017**

**Note 12 - Post-Employment Healthcare Plan (Cont'd)**

**E. Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with long-term perspective of the calculations.

In the July 1, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a discount rate of 3%; an annual healthcare cost trend rate of 10% initially decreasing by 1% per year to an ultimate rate of 10% for medical, 5% for dental and 3% for vision benefits. The method used to determine the actuarial value of assets is not applicable since there are no plan assets. The unfunded actuarial accrued liability is being amortized using the level dollar method. The amortization period for the most recent actuarial valuation is twenty years. The period is closed.

**Note 13 - Risk Management**

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

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

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

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

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

**Clairton City School District**  
**Notes to Financial Statements**  
**June 30, 2017**

**Note 14 - On-Behalf Payments**

The amounts recognized for revenues and expenditures for on-behalf payments relating to fringe benefits for the year ended June 30, 2017 was \$1,651,171.

This includes \$1,340,529 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 \$310,642 to the federal government for social security and Medicare taxes for the year ended June 30, 2017. The School District pays these on-behalf payments directly to PSERS and the government and is reimbursed by the Commonwealth for their appropriate share.

**REQUIRED SUPPLEMENTARY  
INFORMATION SECTION**

**Clairton City School District**  
**Schedule of Revenues, Expenditures**  
**and Changes in Fund Balance**  
**General Fund - Budget and Actual**  
**Year Ended June 30, 2017**

	<u>Budgeted Amounts</u>		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
Revenues				
Local Sources				
Taxes				
Current Real Estate Taxes	\$ 2,296,704	\$ 2,296,704	\$ 2,272,407	\$ (24,297)
Public Utility Realty Taxes	5,000	5,000	3,562	(1,438)
Payments in Lieu of Current Taxes	10,000	10,000	5,060	(4,940)
Business Privilege Taxes	300,000	300,000	89,443	(210,557)
Local Services Taxes	10,000	10,000	9,908	(92)
Earned Income Taxes	475,000	475,000	393,954	(81,046)
Real Estate Transfer Taxes	20,000	20,000	41,163	21,163
Mercantile Taxes	10,000	10,000	19,128	9,128
Delinquencies on Taxes	425,000	425,000	282,550	(142,450)
Earnings on Investments	5,000	5,000	3,206	(1,794)
Other Local Revenues				
Federal Revenues from IUs	190,000	190,000	202,622	12,622
Contributions & Donations				
from Private Sources	10,000	10,000	18,011	8,011
Rentals	20,000	20,000	20,400	400
Admissions	10,000	10,000	29,304	19,304
Miscellaneous Revenue	100,000	100,000	38,993	(61,007)
Refunds of Prior Year's Expenditures	-	-	6,673	6,673
Total Revenues from Local Sources	<u>3,886,704</u>	<u>3,886,704</u>	<u>3,436,384</u>	<u>(450,320)</u>
State Sources				
Basic Instruct. & Oper. Subsidies				
Basic Instructional Subsidy	7,228,862	7,228,862	7,235,090	6,228
Tuition	-	-	58,273	58,273
Subsidies for Spec. Educ. Programs				
Special Ed. of Except. Pupils	1,034,000	1,034,000	1,086,055	52,055
Subsidies for Noneduc. Programs				
Transportation (Regular & Add'l.)	220,000	220,000	250,313	30,313
Health Services	14,000	14,000	13,234	(766)
State Property Tax Reduction	466,868	466,868	466,868	-
Ready to Learn Block Grant	-	-	220,599	220,599
Social Security Payments	220,000	220,000	310,642	90,642
State Retirement Revenue	<u>900,000</u>	<u>900,000</u>	<u>1,340,529</u>	<u>440,529</u>
Total Revenues from State Sources	<u>10,083,730</u>	<u>10,083,730</u>	<u>10,981,603</u>	<u>897,873</u>



**Clairton City School District**  
**Schedule of Revenues, Expenditures**  
**and Changes in Fund Balance**  
**General Fund - Budget and Actual**  
**Year Ended June 30, 2017**

	<u>Budgeted Amounts</u>		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
Revenues (Cont'd)				
Federal Sources				
Restricted Grants-in-Aid from the Fed. Gov't. through the Commonwealth				
Title I	\$ 720,347	\$ 720,347	\$ 866,734	\$ 146,387
Title II	102,126	102,126	114,625	12,499
Other Federal Grants	69,832	69,832	-	(69,832)
Title XIX	5,000	5,000	2,968	(2,032)
Medical Assistance	<u>40,000</u>	<u>40,000</u>	<u>5,092</u>	<u>(34,908)</u>
Total Revenues from Federal Sources	<u>937,305</u>	<u>937,305</u>	<u>989,419</u>	<u>52,114</u>
Total Revenues	<u>14,907,739</u>	<u>14,907,739</u>	<u>15,407,406</u>	<u>499,667</u>
Other Financing Sources				
Proceeds from Note	<u>-</u>	<u>-</u>	<u>2,030,000</u>	<u>2,030,000</u>
Total Revenues and Other Financing Sources	<u>14,907,739</u>	<u>14,907,739</u>	<u>17,437,406</u>	<u>2,529,667</u>
Expenditures				
Instruction				
Regular Programs				
Personal Services				
Salaries	3,493,398	3,493,398	3,330,529	162,869
Employee Benefits	2,440,063	2,440,063	2,199,086	240,977
Purchased Prof. & Tech. Services	10,140	10,140	11,177	(1,037)
Purchased Property Services	83,000	83,000	94,492	(11,492)
Other Purchased Services	1,385,000	1,385,000	1,324,126	60,874
Supplies	234,500	234,500	204,479	30,021
Other Objects	<u>7,950</u>	<u>7,950</u>	<u>16,125</u>	<u>(8,175)</u>
Total Regular Programs	<u>7,654,051</u>	<u>7,654,051</u>	<u>7,180,014</u>	<u>474,037</u>
Special Programs				
Personal Services				
Salaries	1,070,992	1,070,992	1,058,493	12,499
Employee Benefits	595,715	595,715	570,772	24,943
Purchased Prof. & Tech. Services	555,000	555,000	447,450	107,550

**Clairton City School District**  
**Schedule of Revenues, Expenditures**  
**and Changes in Fund Balance**  
**General Fund - Budget and Actual**  
**Year Ended June 30, 2017**

	<u>Budgeted Amounts</u>		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
Expenditures (Cont'd)				
Instruction (Cont'd)				
Special Programs (Cont'd)				
Purchased Property Services	\$ -	\$ -	\$ 549	\$ (549)
Other Purchased Services	526,500	526,500	942,862	(416,362)
Supplies	15,500	15,500	4,260	11,240
Other Objects	<u>500</u>	<u>500</u>	<u>5,060</u>	<u>(4,560)</u>
Total Special Programs	<u>2,764,207</u>	<u>2,764,207</u>	<u>3,029,446</u>	<u>(265,239)</u>
Vocational Education Programs				
Personal Services				
Employee Benefits	-	-	12,602	(12,602)
Purchased Prof. & Tech. Services	3,000	3,000	-	3,000
Other Purchased Services	<u>160,000</u>	<u>160,000</u>	<u>205,718</u>	<u>(45,718)</u>
Total Vocational Education Programs	<u>163,000</u>	<u>163,000</u>	<u>218,320</u>	<u>(55,320)</u>
Other Instructional Programs				
Personal Services				
Salaries	35,000	35,000	544	34,456
Employee Benefits	-	-	205	(205)
Purchased Prof. & Tech. Services	30,000	30,000	18,475	11,525
Other Purchased Services	25,000	25,000	44,234	(19,234)
Supplies	-	-	405	(405)
Other Objects	<u>-</u>	<u>-</u>	<u>75</u>	<u>(75)</u>
Total Other Instructional Programs	<u>90,000</u>	<u>90,000</u>	<u>63,938</u>	<u>26,062</u>
Non-Public Schools				
Purchased Prof. & Tech. Services	<u>23,000</u>	<u>23,000</u>	<u>14,025</u>	<u>8,975</u>
Total Instruction	<u>10,694,258</u>	<u>10,694,258</u>	<u>10,505,743</u>	<u>188,515</u>

**Clairton City School District**  
**Schedule of Revenues, Expenditures**  
**and Changes in Fund Balance**  
**General Fund - Budget and Actual**  
**Year Ended June 30, 2017**

	<u>Budgeted Amounts</u>		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
Expenditures (Cont'd)				
Support Services				
Pupil Personnel				
Personal Services				
Salaries	\$ 211,144	\$ 211,144	\$ 212,869	\$ (1,725)
Employee Benefits	137,698	137,698	117,053	20,645
Purchased Prof. & Tech. Services	22,490	22,490	31,807	(9,317)
Purchased Property Services	200	200	8,351	(8,151)
Other Purchased Services	300	300	987	(687)
Supplies	2,500	2,500	10,921	(8,421)
Other Objects	<u>-</u>	<u>-</u>	<u>332</u>	<u>(332)</u>
Total Pupil Personnel	<u>374,332</u>	<u>374,332</u>	<u>382,320</u>	<u>(7,988)</u>
Instructional Staff				
Personal Services				
Salaries	234,310	234,310	255,659	(21,349)
Employee Benefits	170,356	170,356	166,382	3,974
Purchased Prof. & Tech. Services	94,253	94,253	110,291	(16,038)
Purchased Property Services	10,405	10,405	5,348	5,057
Other Purchased Services	2,211	2,211	5,123	(2,912)
Supplies	78,744	78,744	92,499	(13,755)
Property	33,045	33,045	40,973	(7,928)
Other Objects	<u>-</u>	<u>-</u>	<u>1,949</u>	<u>(1,949)</u>
Total Instructional Staff	<u>623,324</u>	<u>623,324</u>	<u>678,224</u>	<u>(54,900)</u>
Administration				
Personal Services				
Salaries	694,702	694,702	701,565	(6,863)
Employee Benefits	409,165	409,165	459,862	(50,697)
Purchased Prof. & Tech. Services	117,000	117,000	100,018	16,982
Purchased Property Services	5,700	5,700	1,159	4,541
Other Purchased Services	22,970	22,970	8,262	14,708
Supplies	7,100	7,100	3,239	3,861
Property	200	200	-	200
Other Objects	<u>41,100</u>	<u>41,100</u>	<u>38,850</u>	<u>2,250</u>
Total Administration	<u>1,297,937</u>	<u>1,297,937</u>	<u>1,312,955</u>	<u>(15,018)</u>

**Clairton City School District**  
**Schedule of Revenues, Expenditures**  
**and Changes in Fund Balance**  
**General Fund - Budget and Actual**  
**Year Ended June 30, 2017**

	<u>Budgeted Amounts</u>		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
Expenditures (Cont'd)				
Support Services (Cont'd)				
Pupil Health				
Personal Services				
Salaries	\$ 49,243	\$ 49,243	\$ 50,816	\$ (1,573)
Employee Benefits	26,912	26,912	25,393	1,519
Purchased Prof. & Tech. Services	1,650	1,650	574	1,076
Purchased Property Services	250	250	60	190
Other Purchased Services	250	250	-	250
Supplies	<u>3,500</u>	<u>3,500</u>	<u>1,819</u>	<u>1,681</u>
Total Pupil Health	<u>81,805</u>	<u>81,805</u>	<u>78,662</u>	<u>3,143</u>
Business				
Personal Services				
Salaries	75,193	75,193	90,074	(14,881)
Employee Benefits	47,064	47,064	47,974	(910)
Purchased Prof. & Tech. Services	8,000	8,000	8,415	(415)
Purchased Property Services	4,500	4,500	2,502	1,998
Other Purchased Services	11,000	11,000	12,652	(1,652)
Supplies	3,000	3,000	3,212	(212)
Other Objects	<u>1,000</u>	<u>1,000</u>	<u>39,056</u>	<u>(38,056)</u>
Total Business	<u>149,757</u>	<u>149,757</u>	<u>203,885</u>	<u>(54,128)</u>
Oper. & Maint. of Plant Svcs.				
Purchased Prof. & Tech. Services	150,000	150,000	146,221	3,779
Purchased Property Services	620,500	620,500	827,769	(207,269)
Other Purchased Services	76,500	76,500	72,850	3,650
Supplies	159,000	159,000	134,487	24,513
Property	20,000	20,000	1,303	18,697
Other Objects	<u>5,000</u>	<u>5,000</u>	<u>292</u>	<u>4,708</u>
Total Oper. & Maint. of Plant Svcs.	<u>1,031,000</u>	<u>1,031,000</u>	<u>1,182,922</u>	<u>(151,922)</u>

**Clairton City School District**  
**Schedule of Revenues, Expenditures**  
**and Changes in Fund Balance**  
**General Fund - Budget and Actual**  
**Year Ended June 30, 2017**

	<u>Budgeted Amounts</u>		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
Expenditures (Cont'd)				
Support Services (Cont'd)				
Student Transportation Services				
Personal Services				
Salaries	\$ 10,010	\$ 10,010	\$ 8,562	\$ 1,448
Employee Benefits	6,485	6,485	3,249	3,236
Other Purchased Services	440,000	440,000	468,126	(28,126)
Other Objects	<u>-</u>	<u>-</u>	<u>400</u>	<u>(400)</u>
Total Student Transportation Services	<u>456,495</u>	<u>456,495</u>	<u>480,337</u>	<u>(23,842)</u>
Central				
Personal Services				
Salaries	72,079	72,079	141,034	(68,955)
Employee Benefits	28,551	28,551	75,667	(47,116)
Purchased Prof. & Tech. Services	-	-	149,812	(149,812)
Other Purchased Services	-	-	4,816	(4,816)
Supplies	-	-	517	(517)
Other Objects	<u>-</u>	<u>-</u>	<u>600</u>	<u>(600)</u>
Total Central	<u>100,630</u>	<u>100,630</u>	<u>372,446</u>	<u>(271,816)</u>
Other				
Other Purchased Services	<u>4,000</u>	<u>4,000</u>	<u>4,229</u>	<u>(229)</u>
Total Support Services	<u>4,119,280</u>	<u>4,119,280</u>	<u>4,695,980</u>	<u>(576,700)</u>
Noninstructional Services				
Student Activities				
Personal Services				
Salaries	158,075	158,075	150,257	7,818
Employee Benefits	59,160	59,160	50,741	8,419
Purchased Prof. & Tech. Services	28,000	28,000	36,400	(8,400)
Purchased Property Services	2,000	2,000	12,834	(10,834)
Other Purchased Services	25,000	25,000	115,678	(90,678)

**Clairton City School District**  
**Schedule of Revenues, Expenditures**  
**and Changes in Fund Balance**  
**General Fund - Budget and Actual**  
**Year Ended June 30, 2017**

	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	(Budgetary Basis)	Final Budget Positive (Negative)
Expenditures (Cont'd)				
Noninstructional Services (Cont'd)				
Student Activities (Cont'd)				
Supplies	\$ 8,000	\$ 8,000	\$ 45,316	\$ (37,316)
Property	3,000	3,000	-	3,000
Other Objects	<u>4,000</u>	<u>4,000</u>	<u>21,538</u>	<u>(17,538)</u>
Total Student Activities	<u>287,235</u>	<u>287,235</u>	<u>432,764</u>	<u>(145,529)</u>
Community Services				
Supplies	11,000	11,000	7,444	3,556
Other Objects	<u>20,000</u>	<u>20,000</u>	<u>6,274</u>	<u>13,726</u>
Total Community Services	<u>31,000</u>	<u>31,000</u>	<u>13,718</u>	<u>17,282</u>
Total Noninstructional Services	<u>318,235</u>	<u>318,235</u>	<u>446,482</u>	<u>(128,247)</u>
Facilities Acquisition, Construction and Improvement Services				
Purchased Prof. and Tech. Services	<u>-</u>	<u>-</u>	<u>1,987,854</u>	<u>(1,987,854)</u>
Debt Service				
Interest	45,000	45,000	56,128	(11,128)
Redemption of Principal	<u>96,000</u>	<u>96,000</u>	<u>102,397</u>	<u>(6,397)</u>
Total Debt Service	<u>141,000</u>	<u>141,000</u>	<u>158,525</u>	<u>(17,525)</u>
Total Expenditures	<u>15,272,773</u>	<u>15,272,773</u>	<u>17,794,584</u>	<u>(2,521,811)</u>
Other Financing Uses				
Fund Transfers				
Special Revenue Fund	<u>60,000</u>	<u>60,000</u>	<u>-</u>	<u>60,000</u>
Total Expenditures & Other Financing Uses	<u>15,332,773</u>	<u>15,332,773</u>	<u>17,794,584</u>	<u>(2,461,811)</u>

**Clairton City School District  
Schedule of Revenues, Expenditures  
and Changes in Fund Balance  
General Fund - Budget and Actual  
Year Ended June 30, 2017**

	<u>Budgeted Amounts</u>		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
Net Change in Fund Balance	\$ (425,034)	\$ (425,034)	\$ (357,178)	\$ 67,856
Fund Balance - July 1, 2016	<u>1,252,171</u>	<u>1,252,171</u>	<u>1,405,149</u>	<u>152,978</u>
Fund Balance - June 30, 2017	\$ <u>827,137</u>	\$ <u>827,137</u>	\$ <u>1,047,971</u>	\$ <u>220,834</u>

**Clairton City School District**  
**Required Supplementary Information**  
**Other Post-Employment Benefits**  
**June 30, 2017**

Schedule of Funding Progress for Retiree Health Plan

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio (AVA/ AAL)	Covered Payroll	UAAL as Percentage of Covered Payroll
06/30/14	\$ -	\$2,282,544	\$2,282,544	0.0%	\$6,037,044	37.81%
06/30/12	-	2,348,912	2,348,912	0.0%	5,890,077	39.88%
06/30/10	-	2,299,665	2,299,665	0.0%	6,294,461	36.53%

Information through June 30, 2014 is the most recent required and available.



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

	June 30, 2017	June 30, 2016	June 30, 2015
Contractually Required Contribution	\$1,736,149	\$1,458,432	\$1,211,098
Contributions in Relation to the Contractually Required Contribution	<u>1,736,149</u>	<u>1,458,432</u>	<u>1,211,098</u>
Contribution Deficiency (Excess)	\$ <u>          </u> -	\$ <u>          </u> -	\$ <u>          </u> -
School District Covered-Employee Payroll	\$6,040,241	\$5,965,180	\$6,070,635
Contributions as a Percentage of Covered Employee Payroll	28.74%	24.45%	19.95%

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

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

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

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

**SINGLE AUDIT SECTION**

**HOSACK, SPECHT, MUETZEL & WOOD LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
**2 PENN CENTER WEST, SUITE 326**  
**PITTSBURGH, PENNSYLVANIA 15276**  
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Members of the Board  
Clairton City School District  
Clairton, Pennsylvania

Dear Members:

The reports contained in this single audit section are required in addition to the financial statements. The various reports for Clairton City School District for the period ended June 30, 2017 were prepared to fulfill the requirements of Government Auditing Standards and the Uniform Grant Guidance. A summary of the reports are as follows:

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

Respectfully submitted,

*Hosack, Specht, Muetzel & Wood LLP*

HOSACK, SPECHT, MUETZEL & WOOD LLP  
Pittsburgh, Pennsylvania  
March 26, 2018

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

**Exhibit A**

**CERTIFIED PUBLIC ACCOUNTANTS**

**2 PENN CENTER WEST, SUITE 326**

**PITTSBURGH, PENNSYLVANIA 15276**

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

Members of the Board  
Clairton City School District  
Clairton, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clairton City School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Clairton City School District's basic financial statements, and have issued our report thereon dated March 26, 2018.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the 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 26, 2018

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

**Exhibit B**

**CERTIFIED PUBLIC ACCOUNTANTS**

**2 PENN CENTER WEST, SUITE 326**

**PITTSBURGH, PENNSYLVANIA 15276**

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

Members of the Board  
Clairton City School District  
Clairton, Pennsylvania

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

We have audited Clairton City School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Clairton City School District's major federal programs for the year ended June 30, 2017. Clairton City School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Clairton City School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Clairton City School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Auditor's Responsibility (Cont'd)***

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

### ***Opinion on Each Major Federal Program***

In our opinion, Clairton City School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

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

Management of Clairton City School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Clairton City School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Clairton City School District's internal control over compliance.

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

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



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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Hosack, Specht, Muetzl & Wood LLP*

HOSACK, SPECHT, MUETZEL & WOOD LLP  
Pittsburgh, Pennsylvania  
March 26, 2018

Clairton City School District  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2017

Exhibit C

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

*Financial Statements*

Type of auditor's report issued 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 2CFR Section  
200.516(a)?

       yes                      ✓   no

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

84.010

Title I Cluster

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

\$750,000

Auditee qualified as low-risk auditee?

       yes                      ✓   no

**Clairton City School District  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2017**

**Exhibit C**

**Section II - Financial Statement Findings**

No matters were reported.

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

No matters were reported.

**Section IV - Status of Prior Year's Findings**

Finding 2016-001

Federal Award - Noncompliance

Condition

Clairton City School District did not file quarterly and final expenditure reports for the Title I Cluster, CFDA No. 84.010 during the 2015/2016 school year.

Recommendation

The School District ensures that the reports are being filed accurately and timely.

Current Status

Resolved.

Finding 2016-002

Federal Award - Material Weakness in Internal Controls Over Compliance

Condition

Clairton City School District did not file quarterly and final expenditure reports for the Title I Cluster, CFDA No. 84.010 during the 2015/2016 school year.

Recommendation

There should be a review by management of reports before they are filed which includes tracing the numbers back to supporting documentation.

Current Status

Resolved.

**Clairton City School District**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2017**

**Exhibit D**

Federal Grantor/ Pass Through Grantor/ Project Title	Source Code	Federal CFDA Number	Pass Through Grantor's Number	Grant Period Beginning/ Ending Date	Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue 07/01/16	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue 06/30/17
U. S. Department of Education										
Passed through the Pennsylvania										
Department of Education										
Title I Improving Basic Programs	I	84.010	013-170084	07/01/16-09/30/17	\$692,726	\$ 569,372	\$ -	\$ 674,103	\$ 674,103	\$104,731
Title I Improving Basic Programs	I	84.010	013-160084	07/01/15-09/30/16	634,504	158,749	59,190	99,559	99,559	-
Title I School Improvements - Set Aside	I	84.010	042-160084	04/28/16-09/30/17	69,832	65,953	-	69,832	69,832	3,879
Title I School Improvements - Set Aside	I	84.010	042-150084	06/18/15-09/30/16	76,653	23,954	714	23,240	23,240	-
						<u>818,028</u>	<u>59,904</u>	<u>866,734</u>	<u>866,734</u>	<u>108,610</u>
Title II Improving Teacher Quality	I	84.367	020-170084	07/01/16-09/30/17	101,696	102,126	-	101,696	101,696	(430)
Title II Improving Teacher Quality	I	84.367	020-160084	07/01/15-09/30/16	103,216	34,244	21,315	12,929	12,929	-
						<u>136,370</u>	<u>21,315</u>	<u>114,625</u>	<u>114,625</u>	<u>(430)</u>
Passed through Intermediate Unit #1										
Title III	I	84.365	FA-010170603	07/01/16-09/30/17	563	563	-	563	563	-
Race to the Top	I	84.413A	B413A12004	08/07/15-09/30/16	15,041	15,041	-	15,041	15,041	-
Special Education Cluster										
IDEA B - Section 619	I	84.173	N/A	07/01/16-06/30/17	2,177	2,177	-	2,177	2,177	-
IDEA Renew Grant	I	84.027	N/A	07/01/15-09/30/16	4,500	4,500	-	4,500	4,500	-
IDEA B	I	84.027	N/A	07/01/16-09/30/17	180,341	180,341	-	180,341	180,341	-
IDEA B	I	84.027	N/A	07/01/15-09/30/16	172,766	172,766	172,766	-	-	-
Total Special Education Cluster						<u>359,784</u>	<u>172,766</u>	<u>187,018</u>	<u>187,018</u>	<u>-</u>
Total U. S. Department of Education						<u>1,329,786</u>	<u>253,985</u>	<u>1,183,981</u>	<u>1,183,981</u>	<u>108,180</u>
U. S. Department of Health & Human Services										
Passed through the Pennsylvania										
Department of Public Welfare										
Medical Assistance - Access	I	93.778	N/A	07/01/16-06/30/17	N/A	2,631	709	2,968	2,968	1,046
U. S. Department of Agriculture										
Nutrition Cluster										
Passed through the Pennsylvania										
Department of Education										
Nat'l. School Lunch Program	I	10.555	N/A	07/01/16-06/30/17	N/A	415,259	3,207	412,052	412,052	-
Nat'l. School Breakfast Program	I	10.553	N/A	07/01/16-06/30/17	N/A	110,187	969	109,218	109,218	-
Passed through the Pennsylvania										
Department of Agriculture										
National School Lunch Program										
(Donated Commodities										
Noncash Assistance)	I	10.555	N/A	07/01/16-06/30/17	N/A	30,254	(5,729)	30,609	30,609	(5,374)
Total Nutrition Cluster						<u>555,700</u>	<u>(1,553)</u>	<u>551,879</u>	<u>551,879</u>	<u>(5,374)</u>
Passed through the Pennsylvania										
Department of Education										
Fruits & Vegetables	I	10.582	N/A	07/01/16-06/30/17	N/A	21,235	-	24,214	24,214	2,979
Child Care	I	10.558	N/A	07/01/16-06/30/17	N/A	68,007	-	68,007	68,007	-
Total U. S. Department of Agriculture					<u>644,942</u>	<u>(1,553)</u>	<u>644,100</u>	<u>644,100</u>	<u>(2,395)</u>	
Total Federal Financial Assistance						<u>\$1,977,359</u>	<u>\$253,141</u>	<u>\$1,831,049</u>	<u>\$1,831,049</u>	<u>\$106,831</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

**Clairton City School District**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2017**

**Exhibit D**

**Note A - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Clairton City School District under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Clairton City School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of Clairton City School District.

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

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

**Note C - Source Code**

The Source Code (I) indicates funds received indirectly.

**Note D - Reconciliation with Subsidy Confirmation**

Amount Received Per Schedule	\$1,977,359
Add State Share of Cafeteria Subsidies	23,324
Add Medical Assistance	112,977
Less Passed Through IU	(375,388)
Less Donated Commodities	(30,254)
Less Medical Assistance Access	<u>(2,631)</u>
Per Subsidy Confirmation	<u>\$1,705,387</u>

**Note E - Subrecipients**

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

**Clairton City School District  
List of Report Distribution  
June 30, 2017**

**Exhibit E**

1 Copy - Bureau of Audits

1 Copy - Bureau of the Census