

**Fox Chapel Area School District
Financial Statements
June 30, 2022**

**Fox Chapel Area School District
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Independent Auditor's Report

Members of the Board
Fox Chapel Area School District
Pittsburgh, Pennsylvania

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fox Chapel Area School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Fox Chapel Area School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fox Chapel Area School District, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Fox Chapel Area School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note 16 to the financial statements, Fox Chapel Area School District adopted new accounting guidance, GASB Statement No. 87 "*Leases*". Our opinions are not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fox Chapel Area School District's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2023, on our consideration of Fox Chapel Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Fox Chapel Area School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fox Chapel Area School District's internal control over financial reporting and compliance.


HOSACK, SPECHT, MUETZEL & WOOD LLP
Pittsburgh, Pennsylvania
January 3, 2023

**Fox Chapel Area School District
Management's Discussion and Analysis
June 30, 2022**

The discussion and analysis of Fox Chapel Area School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2022. 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 the MD&A.

Financial Highlights

The School District's largest expense continues to be personnel costs including wages, retirement contributions and medical group insurance costs. The employer contribution rate for the Pennsylvania School Employees' Retirement System (PSERS) continued to rise to historical highs and was 34.94% in 2021/2022. The total contributions paid were \$16,648,435 in 2021/2022, an increase of 4.9% from the prior year. PSERS alone still accounts for over 16% of the total budget.

The millage rate increased from the previous year to 20.1269 mills for the 2021/2022 school year, an increase of 1.3%.

The School District did exceed the anticipated revenue budget. In 2021/2022, the actual revenue variance from the original budget was \$4,029,505, or 3.8% of actual revenue received. This large variance is largely a continuation of the impact COVID and subsequent federal COVID funding had on the budget. The large revenue variance from budget to actual was from Act 511 taxes. Earned income revenue came in higher than originally budgeted for and the district is continuing to see results from the housing surge which resulted in increased realty transfer tax collections over budget. Additionally, the district received over \$1.2 million in competitive federal COVID grants awarded to school district specifically for use to purchase new technology which led to an increase in revenues over budget as well.

Actual expenditures for the fiscal year were in line with the original budget, with a variance of negative \$121,713 compared to the original budget for 2021/2022. Adjusting the additional expenses relating to the awarded federal COVID grant for technology, total expenditures would be closer to \$1 million under budget which is more in line with prior year.

The School District completed the fiscal year 2021/2022 with a negative net position due to the requirement to report pension liabilities on the balance sheet. The net pension liability of the School District governmental activities decreased by \$32,400,448 to \$132,471,754 and created a negative net position of \$(95,045,483) at the end of fiscal year 2022.

**Fox Chapel Area School District
Management's Discussion and Analysis
June 30, 2022**

The School District's business-type activity, which is comprised of the food service fund, showed a negative net position of \$480,575, which is a positive change from the previous year. COVID continued to affect the food service fund in 2021/22. The federal subsidy continued to cover 100% of normal student meals through May of 2022, which caused revenues to come in over original budgeted figures. Expenditures however remained close to budget and the fund saw a positive net change at the end of the year.

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 and notes to the financial section that provide additional information regarding the School District. These statements are organized so that the reader can understand Fox Chapel Area School District as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

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

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

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

**Fox Chapel Area School District
Management's Discussion and Analysis
June 30, 2022**

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

Figure A – 1
Required Components of
Fox Chapel Area School District's
Financial Report

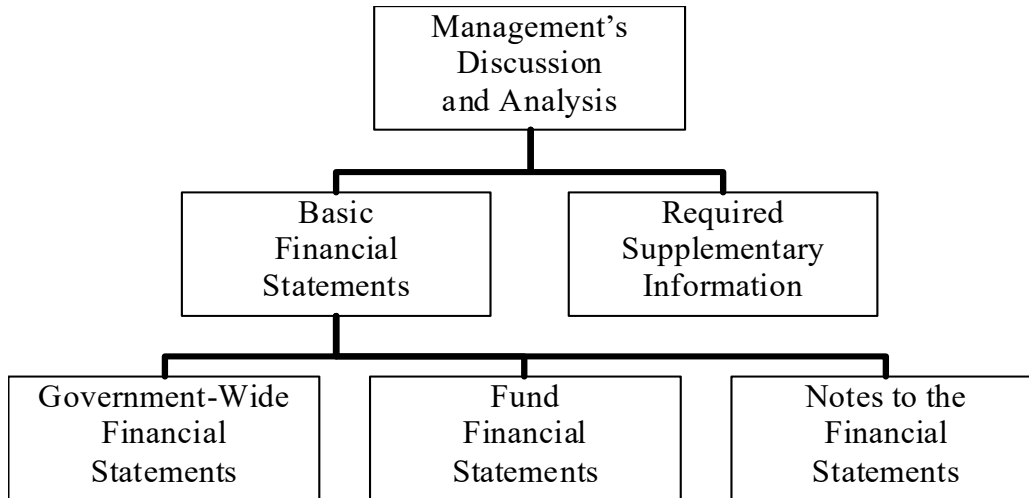


Figure A-2 summarizes the major features of the School District's financial statements, including the portion of the School District they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents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

**Fox Chapel Area School District
Management's Discussion and Analysis
June 30, 2022**

Figure A – 2
Major Features of Fox Chapel Area School District's
Government-Wide and Fund Financial Statements

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

**Fox Chapel Area School District
Management's Discussion and Analysis
June 30, 2022**

Overview of Financial Statements

Government-Wide Statements

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

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

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

To assess the overall health of the School District, you need to consider additional 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 by 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.

**Fox Chapel Area School District
Management's Discussion and Analysis
June 30, 2022**

Proprietary funds - These funds are used to account for the School District activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the School District charges customers for services it provides - whether to outside customers or to other units in the School District - these services are generally reported in proprietary funds. The food service fund is the School District's proprietary fund and is the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows.

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

Financial Analysis of the School District as a Whole

The School District's total net position was a deficit \$(95,526,058) at June 30, 2022 and a deficit \$(108,578,443) at June 30, 2021.

Table A - 1
Years Ended June 30, 2022 and 2021
Net Position

	2022			2021		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Current and Other Assets	\$ 48,822,244	\$ 1,274,900	\$ 50,097,144	\$ 43,744,708	\$ 1,097,186	\$ 44,841,894
Capital Assets	<u>103,963,495</u>	<u>26,937</u>	<u>103,990,432</u>	<u>107,707,647</u>	<u>11,923</u>	<u>107,719,570</u>
Total Assets	<u>152,785,739</u>	<u>1,301,837</u>	<u>154,087,576</u>	<u>151,452,355</u>	<u>1,109,109</u>	<u>152,561,464</u>
Deferred Outflows of Resources	<u>27,376,793</u>	<u>287,978</u>	<u>27,664,771</u>	<u>31,794,616</u>	<u>324,921</u>	<u>32,119,537</u>
Current and Other Liabilities	14,542,475	168,743	14,711,218	13,502,006	861,149	14,363,155
Noncurrent Liabilities						
Due Within One Year	2,944,003	-	2,944,003	2,564,032	-	2,564,032
Due in More Than One Year	<u>228,638,081</u>	<u>1,582,445</u>	<u>230,220,526</u>	<u>263,072,838</u>	<u>1,880,765</u>	<u>264,953,603</u>
Total Liabilities	<u>246,124,559</u>	<u>1,751,188</u>	<u>247,875,747</u>	<u>279,138,876</u>	<u>2,741,914</u>	<u>281,880,790</u>

**Fox Chapel Area School District
Management's Discussion and Analysis
June 30, 2022**

Table A - 1
Years Ended June 30, 2022 and 2021
Net Position

	2022			2021		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Deferred Inflows of Resources	<u>29,083,456</u>	<u>319,202</u>	<u>29,402,658</u>	<u>11,257,157</u>	<u>121,497</u>	<u>11,378,654</u>
Net Position						
Net Investment in Capital Assets	32,251,296	26,937	32,278,233	34,808,752	11,923	34,820,675
Unrestricted	<u>(127,296,779)</u>	<u>(507,512)</u>	<u>(127,804,291)</u>	<u>(141,957,814)</u>	<u>(1,441,304)</u>	<u>(143,399,118)</u>
Total Net Position	<u>\$ (95,045,483)</u>	<u>\$ (480,575)</u>	<u>\$ (95,526,058)</u>	<u>\$ (107,149,062)</u>	<u>\$ (1,429,381)</u>	<u>\$ (108,578,443)</u>

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

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

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

**Fox Chapel Area School District
Management's Discussion and Analysis
June 30, 2022**

Table A - 2
Years Ended June 30, 2022 and 2021
Changes in Net Position

	2022			2021		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Revenues						
Program Revenues						
Charges for Services	\$ -	\$ 246,857	\$ 246,857	\$ -	\$ 124,881	\$ 124,881
Operating Grants and Contribs.	18,591,732	2,555,014	21,146,746	16,417,333	1,042,182	17,459,515
Capital Grants and Contribs.	1,691,680	-	1,691,680	2,549,930	-	2,549,930
General Revenues						
Property Taxes	70,718,469	-	70,718,469	68,654,057	-	68,654,057
Other Taxes	11,166,678	-	11,166,678	9,996,065	-	9,996,065
Grants, Subsidies and Contribs.						
Not Restricted	5,817,538	-	5,817,538	5,298,694	-	5,298,694
Investment Earnings	46,743	846	47,589	56,942	52	56,994
Other	260,656	-	260,656	158,874	-	158,874
Total Revenues	108,293,496	2,802,717	111,096,213	103,131,895	1,167,115	104,299,010
Expenses						
Instruction	60,022,436	-	60,022,436	67,599,400	-	67,599,400
Instructional Student Support	9,721,146	-	9,721,146	8,503,114	-	8,503,114
Admin. and Fin. Support Svcs.	8,473,373	-	8,473,373	8,712,983	-	8,712,983
Operation and Maintenance						
of Plant Services	7,925,627	-	7,925,627	8,680,519	-	8,680,519
Pupil Transportation	4,422,512	-	4,422,512	3,588,892	-	3,588,892
Student Activities	2,716,908	-	2,716,908	2,629,454	-	2,629,454
Community Services	253,113	-	253,113	12,121	-	12,121
Scholarships	-	-	-	-	-	-
Interest on Long-Term Debt	2,597,023	-	2,597,023	2,621,661	-	2,621,661
Food Service	-	1,853,911	1,853,911	-	1,265,732	1,265,732
Total Expenses	96,132,138	1,853,911	97,986,049	102,348,144	1,265,732	103,613,876
Increase (Decrease) in Net Position	12,161,358	948,806	13,110,164	783,751	(98,617)	685,134
Beginning Net Position						
(Restated-see Note 16)	(107,206,841)	(1,429,381)	(108,636,222)	(107,932,813)	(1,330,764)	(109,263,577)
Ending Net Position	\$ (95,045,483)	\$ (480,575)	\$ (95,526,058)	\$ (107,149,062)	\$ (1,429,381)	\$ (108,578,443)

**Fox Chapel Area School District
Management's Discussion and Analysis
June 30, 2022**

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, and interest on debt, as well as each program's net cost (total cost less revenues generated by the activities). This table also shows the net costs offset by the other unrestricted grants, subsidies and contributions to show the remaining financial needs supported by local taxes and other miscellaneous revenues.

Table A - 3
Years Ended June 30, 2022 and 2021
Governmental Activities

	2022		2021	
	Total Cost (Expense) of Services	Net Cost (Expense) of Services	Total Cost (Expense) of Services	Net Cost (Expense) of Services
Functions/Programs				
Instruction	\$ 60,022,436	\$ 48,302,555	\$ 67,599,400	\$ 56,447,879
Instructional Student Support	9,721,146	5,767,043	8,503,114	7,020,263
Admin. and Fin. Support Svcs.	8,473,373	7,454,131	8,712,983	7,959,346
Operation and Maintenance of Plant Services	7,925,627	7,230,351	8,680,519	7,538,697
Pupil Transportation	4,422,512	3,505,918	3,588,892	1,951,786
Student Activities	2,716,908	2,439,606	2,629,454	2,379,058
Community Services	253,113	243,779	12,121	12,121
Interest on Long-Term Debt	<u>2,597,023</u>	<u>905,343</u>	<u>2,621,661</u>	<u>71,731</u>
Total Governmental Activities	<u>\$ 96,132,138</u>	75,848,726	<u>\$ 102,348,144</u>	83,380,881
Less:				
Unrestricted Grants, Subsidies		<u>(5,817,538)</u>		<u>(5,298,694)</u>
Total Needs from Local Taxes and Other Revenues		<u>\$ 70,031,188</u>		<u>\$ 78,082,187</u>

**Fox Chapel Area School District
Management's Discussion and Analysis
June 30, 2022**

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, 2022 and 2021
Business-Type Activities

	2022		2021	
	Total Cost (Expense) of Services	Net Cost (Expense) of Services	Total Cost (Expense) of Services	Net Cost (Expense) of Services
Functions/Programs				
Food Service	<u>\$1,853,911</u>	\$ (947,960)	<u>\$1,265,732</u>	\$ 98,669
Add/Less:				
Investment Earnings		<u>(846)</u>		<u>(52)</u>
Total Business-Type Activities		<u>\$ (948,806)</u>		<u>\$ 98,617</u>

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

School District Funds

At June 30, 2022, the School District's general fund reported a fund balance of \$28,513,754, which is an increase of \$3,784,087. The District's original 2021/2022 budget anticipated a decrease to fund balance of \$51,009, including planned drawdowns from both the PSERS committed fund balance as well as the capital projects assigned fund balance relating to various capital improvement projects. The variance resulted from the decreased expenditures as well as the increased revenue that was not projected at the time the budget was originally prepared.

General Fund Budget

During the fiscal year, the administration recommends that the Board of School Directors authorize revisions to the original budget to accommodate actual expenditures. These budget transfers reallocate unencumbered funds designated for one purpose to another part of the budget to be used for a different purpose. Subsequent to June 30, 2022, year-end budget transfers, not prohibited by state law, were approved. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in the required supplementary information section.

**Fox Chapel Area School District
Management's Discussion and Analysis
June 30, 2022**

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

The budgetary reserve account includes amounts funded by the designated fund balance for planned opportunities of expenditures for improvements/enhancements to School District operations. These amounts are normally only appropriated into expenditure categories if the fiscal results of the prior year end with a positive addition to the fund balance, or if any one-time revenues are realized during the fiscal year. The School Board has historically used this method of budgeting to control tax increases while also protecting the integrity of the fund balance. During 2021/2022, there was a transfer to capital projects as a result of PlanCon back payment received relating to the 2017 GO Bond. There was also a transfer to capital projects as a result of athletic ticket sales. The assigned fund balance for the capital projects fund was \$2,921,067 as of June 30, 2022.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2022, the School District governmental funds had \$102,476,415 invested in a broad range of capital assets, including land, land improvements, buildings, furniture and equipment. This amount represents a net decrease (including additions, deletions and depreciation) of \$5,231,232 or 4.9% from last year.

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

	2022	2021
Land	\$ 2,413,944	\$ 2,413,944
Land Improvements	8,554,985	9,166,161
Buildings and Building Improvements	89,568,171	93,841,892
Furniture and Equipment	1,939,315	2,285,650

Debt Administration

As of July 1, 2021, the School District had total outstanding bond and note principal of \$65,750,108. The total outstanding bond and note principal as of June 30, 2022 is \$63,708,616.

Table A - 6
Outstanding Debt

	As of 06/30/22	As of 06/30/21
General Obligation Bonds/Notes		
Bonds - Capital Projects Series of 2013	\$ 33,275,000	\$ 35,145,000
Bonds - Series of 2017	29,055,000	29,060,000
Notes - Series of 2016	1,378,616	1,545,108

**Fox Chapel Area School District
Management's Discussion and Analysis
June 30, 2022**

Other obligations include lease liabilities, financing agreements and 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.

Bond Rating

The School District's general obligation bond rating is a Standard & Poor's rating of AA+. The AA+ bond rating is based upon an insurance policy provided by Financial Security Assurance, Inc. Additional security for the bonds is provided by the Commonwealth of Pennsylvania Act 150 School District Intercept Program. The Act provides for undistributed state aid to be diverted to bond holders in the event of default.

Economic Factors and Next Year's Budget

Projected enrollment for 2022/2023 was 4,156, with 1,896 at the elementary. Projected enrollment at the middle school, grades six through eight, was 968, and high school enrollment was projected at 1,292.

Barring substantial changes to programs offered or additional state or federal mandates, it is anticipated that it will not be necessary to add significantly to the professional and non-professional staff in succeeding years' budgets. Collective bargaining agreements are in place with the custodial/maintenance unit through June 30, 2025, professional staff through June 30, 2028 and with the educational support staff through June 30, 2024. The School District does not, at this time, anticipate any large future reductions in professional staff. In prior years, an early retirement incentive that was offered saw 54 total teachers retiring between July 1, 2018 and June 30, 2020. Those positions were either replaced by attrition or replaced at a cost savings due to the new employee starting at a lower step of the salary schedule.

The budget for the 2022/2023 year is \$6,228,927 more than the original budget for 2021/2022, which was still reduced due to the unknown COVID expenditures. The 2022/2023 budget also includes transfers to the capital projects fund in the amount of \$2,000,000 for future capital projects plans including an HVAC project at Hartwood Elementary and turf replacement of the baseball/softball playing fields. The School District is anticipating having to draw down \$1,730,371 from its fund balance to balance the 2022/2023 budget. This includes a specific drawdown of \$500,000 from the PSERS committed fund balance, a drawdown of \$228,535 from capital projects assigned fund balance, and a reduction of \$1,001,836 from the unassigned fund balance.

At June 30, 2022, the unassigned fund balance was approximately \$10,030,607, with plans on how to utilize or redistribute funds to be made during the 2023/2024 budget process.

**Fox Chapel Area School District
Management's Discussion and Analysis
June 30, 2022**

The comparison of revenue and expenditure categories is as follows:

Table A - 7

	Budgeted Revenue 2022/2023	Actual Revenue 2021/2022
Local	77.9%	77.0%
State	20.4%	19.2%
Federal/Other	1.7%	3.8%

	Budgeted Expenditures 2022/2023	Actual Expenditures 2021/2022
Instruction	60.1%	60.1%
Support Services	28.8%	30.4%
Noninstructional Services	2.6%	2.8%
Capital Outlay	0.7%	0.3%
Fund Transfers/Debt	7.8%	6.4%

Special Session Act 1 - The Taxpayer Relief Act

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

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

**Fox Chapel Area School District
Management's Discussion and Analysis
June 30, 2022**

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 financial information, please contact Kimberly Pawlishak, Business Manager at Fox Chapel Area School District, 611 Field Club Road, Pittsburgh, PA 15238, 412-967-2412.

Fox Chapel Area School District
Statement of Net Position
June 30, 2022

Exhibit 1

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 16,366,835	\$ 947,863	\$ 17,314,698
Investments	18,857,734	-	18,857,734
Taxes Receivable, Net	4,758,441	-	4,758,441
Due From Other Governments	6,164,270	292,434	6,456,704
Other Receivables	515,840	-	515,840
Inventories	-	34,603	34,603
Prepaid Items	1,157,362	-	1,157,362
Long-Term Prepayments (net of amortization)	1,001,762	-	1,001,762
Capital Assets not Being Depreciated			
Land	2,413,944	-	2,413,944
Capital Assets, Net of Accumulated Depreciation			
Land Improvements	8,554,985	-	8,554,985
Building & Building Improvements	89,568,171	-	89,568,171
Furniture & Equipment	1,939,315	26,937	1,966,252
Intangible Right-to-use Assets, Net of Amort.	1,487,080	-	1,487,080
TOTAL ASSETS	152,785,739	1,301,837	154,087,576
DEFERRED OUTFLOWS OF RESOURCES			
Amounts Related to OPEB - District	2,909,588	-	2,909,588
Amounts Related to OPEB - PSERS	1,635,129	18,736	1,653,865
Amounts Related to Pension	22,832,076	269,242	23,101,318
TOTAL DEFERRED OUTFLOWS OF RESOURCES	27,376,793	287,978	27,664,771
LIABILITIES			
Internal Balances	(94,695)	94,695	-
Accounts Payable	1,578,976	117	1,579,093
Accrued Salaries and Benefits	11,675,176	-	11,675,176
Payroll Deductions and Withholdings	4,894	-	4,894
Unearned Revenues	92,972	12,884	105,856
Other Current Liabilities	1,285,152	61,047	1,346,199
Noncurrent Liabilities:			
Due Within One Year	2,944,003	-	2,944,003
Due in More Than One Year:			
Lease Liabilities	1,049,821	-	1,049,821
Notes Payable	1,203,566	-	1,203,566
Compensated Absences	4,229,335	-	4,229,335
Bonds Payable	68,228,663	-	68,228,663
Other Post-Employment Benefits - District	13,824,141	-	13,824,141
Other Post-Employment Benefits - PSERS	7,630,801	86,199	7,717,000
Net Pension Liability	132,471,754	1,496,246	133,968,000
TOTAL LIABILITIES	246,124,559	1,751,188	247,875,747
DEFERRED INFLOWS OF RESOURCES			
Amounts Related to OPEB - District	822,658	-	822,658
Amounts Related to OPEB - PSERS	749,533	8,467	758,000
Amounts Related to Pension	27,511,265	310,735	27,822,000
TOTAL DEFERRED INFLOWS OF RESOURCES	29,083,456	319,202	29,402,658
NET POSITION			
Net Investment in Capital Assets	32,251,296	26,937	32,278,233
Unrestricted	(127,296,779)	(507,512)	(127,804,291)
TOTAL NET POSITION	\$ (95,045,483)	\$ (480,575)	\$ (95,526,058)

See Accompanying Notes

**Fox Chapel Area School District
Statement of Activities
Year Ended June 30, 2022**

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental Activities:							
Instruction	\$ 60,022,436	\$ -	\$ 11,719,881	\$ -	\$ (48,302,555)	\$ -	\$ (48,302,555)
Instructional Student Support	9,721,146	-	3,954,103	-	(5,767,043)	-	(5,767,043)
Administrative and Financial Support Services	8,473,373	-	1,019,242	-	(7,454,131)	-	(7,454,131)
Operation and Maintenance of Plant Services	7,925,627	-	695,276	-	(7,230,351)	-	(7,230,351)
Pupil Transportation	4,422,512	-	916,594	-	(3,505,918)	-	(3,505,918)
Student Activities	2,716,908	-	277,302	-	(2,439,606)	-	(2,439,606)
Community Services	253,113	-	9,334	-	(243,779)	-	(243,779)
Interest on Long-Term Debt	2,597,023	-	-	1,691,680	(905,343)	-	(905,343)
Total Governmental Activities	96,132,138	-	18,591,732	1,691,680	(75,848,726)	-	(75,848,726)
Business-type Activities:							
Food Service	1,853,911	246,857	2,555,014	-	-	947,960	947,960
Total Primary Government	\$ 97,986,049	\$ 246,857	\$ 21,146,746	\$ 1,691,680	(75,848,726)	947,960	(74,900,766)
General Revenues							
Taxes							
Property Taxes Levied for General Purposes, Net					70,718,469	-	70,718,469
Earned Income Taxes					9,625,316	-	9,625,316
Real Estate Transfer Taxes					1,352,051	-	1,352,051
Other Taxes Levied for General Purposes, Net					189,311	-	189,311
Grants, Subsidies and Contributions not Restricted					5,817,538	-	5,817,538
Investment Earnings					46,743	846	47,589
Miscellaneous Income					260,656	-	260,656
Total General Revenues					88,010,084	846	88,010,930
Change in Net Position					12,161,358	948,806	13,110,164
Net Position - July 1, 2021 (Restated See Note 16)					(107,206,841)	(1,429,381)	(108,636,222)
Net Position - June 30, 2022					\$ (95,045,483)	\$ (480,575)	\$ (95,526,058)

See Accompanying Notes

**Fox Chapel Area School District
Balance Sheet
Governmental Funds
June 30, 2022**

	General Fund	Capital Projects Fund	Exhibit 3 Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 13,473,762	\$ 2,893,073	\$ 16,366,835
Investments	18,857,734	-	18,857,734
Taxes Receivable, Net	4,758,441	-	4,758,441
Due from Other Funds	94,695	27,994	122,689
Due from Other Governments	6,164,270	-	6,164,270
Other Receivables	515,840	-	515,840
Prepaid Items	1,157,362	-	1,157,362
	<u>1,157,362</u>	<u>-</u>	<u>1,157,362</u>
TOTAL ASSETS	<u>\$ 45,022,104</u>	<u>\$ 2,921,067</u>	<u>\$ 47,943,171</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Due to Other Funds	\$ 27,994	\$ -	\$ 27,994
Accounts Payable	1,578,976	-	1,578,976
Accrued Salaries and Benefits	11,675,176	-	11,675,176
Payroll Deductions and Withholdings	4,894	-	4,894
Unearned Revenues	92,972	-	92,972
	<u>92,972</u>	<u>-</u>	<u>92,972</u>
Total Liabilities	<u>13,380,012</u>	<u>-</u>	<u>13,380,012</u>
Deferred Inflows of Resources			
Unavailable Revenues - Property Taxes	3,128,338	-	3,128,338
	<u>3,128,338</u>	<u>-</u>	<u>3,128,338</u>
Fund Balances			
Nonspendable	1,157,362	-	1,157,362
Committed	7,221,889	-	7,221,889
Assigned	10,103,896	2,921,067	13,024,963
Unassigned	10,030,607	-	10,030,607
	<u>10,030,607</u>	<u>-</u>	<u>10,030,607</u>
Total Fund Balances	<u>28,513,754</u>	<u>2,921,067</u>	<u>31,434,821</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 45,022,104</u>	<u>\$ 2,921,067</u>	<u>\$ 47,943,171</u>

See Accompanying Notes

**Fox Chapel Area School District
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2022**

Exhibit 4

Total Fund Balances - Governmental Funds	\$		31,434,821
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>			
<p>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 \$185,346,681 and the accumulated depreciation is \$82,870,266.</p>			102,476,415
<p>Intangible right-to-use assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The value of these assets is \$2,478,467 and the accumulated amortization is \$991,387.</p>			1,487,080
<p>Property taxes receivable will be collected in the future but are not available soon enough to pay for the current period's expenditures and, therefore, are not reported as assets in governmental funds.</p>			3,128,338
<p>Premiums on bonds issued and refunded are amortized over the life of the bonds as deferred outflows of resources in the statement of net position.</p>			(7,848,663)
<p>The payment to the joint venture career and technical center is capitalized and amortized over the life of the notes in the statement of net position.</p>			1,001,762
<p>Long-term liabilities, including bonds, financing agreements and leases, 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:</p>			
Bonds Payable	\$	(62,330,000)	
Accrued Interest on the Bonds		(1,285,152)	
Financing Agreements		(46,456)	
Lease Payable		(1,552,360)	
Notes Payable		(1,378,616)	
Compensated Absences		(4,499,293)	(71,091,877)

**Fox Chapel Area School District
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2022**

Exhibit 4

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

OPEB Liability-PSERS	(7,630,801)	
OPEB Liability-District	(13,824,141)	
Net Pension Liability	(132,471,754)	(153,926,696)

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

Deferred Outflows of Resources Related to Pensions	22,832,076	
Deferred Inflows of Resources Related to Pensions	(27,511,265)	
Deferred Outflows of Resources Related to OPEB -District	2,909,588	
Deferred Outflows of Resources Related to OPEB -PSERS	1,635,129	
Deferred Inflows of Resources Related to OPEB -District	(822,658)	
Deferred Inflows of Resources Related to OPEB -PSERS	(749,533)	(1,706,663)

Total Net Position - Governmental Activities		\$ (95,045,483)
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See Accompanying Notes

**Fox Chapel Area School District
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2022**

Exhibit 5

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues			
Local Sources	\$ 83,735,364	\$ 3,461	\$ 83,738,825
State Sources	20,955,927	-	20,955,927
Federal Sources	3,886,551	-	3,886,551
	<u>108,577,842</u>	<u>3,461</u>	<u>108,581,303</u>
Total Revenues			
Expenditures			
Instruction	63,156,705	-	63,156,705
Support Services	31,916,863	1,518	31,918,381
Noninstructional Services	2,926,842	-	2,926,842
Capital Outlay	331,007	17,904	348,911
Debt Service (Principal & Interest)	5,792,928	-	5,792,928
Refunds of Prior Year's Receipts	197,087	-	197,087
	<u>104,321,432</u>	<u>19,422</u>	<u>104,340,854</u>
Total Expenditures			
Excess (Deficiency) of Revenues Over Expenditures	<u>4,256,410</u>	<u>(15,961)</u>	<u>4,240,449</u>
Other Financing Sources (Uses)			
Transfers In	123,592	675,925	799,517
Sale/Compensation for Fixed Assets	80,010	-	80,010
Transfers Out	(675,925)	(123,592)	(799,517)
	<u>(472,323)</u>	<u>552,333</u>	<u>80,010</u>
Total Other Financing Sources (Uses)			
Net Changes in Fund Balances	3,784,087	536,372	4,320,459
Fund Balances - July 1, 2021	<u>24,729,667</u>	<u>2,384,695</u>	<u>27,114,362</u>
Fund Balances - June 30, 2022	<u>\$ 28,513,754</u>	<u>\$ 2,921,067</u>	<u>\$ 31,434,821</u>

See Accompanying Notes

**Fox Chapel Area School District
Reconciliation of the Governmental Funds
and Changes in Fund Balances
to the Statement of Activities
Year Ended June 30, 2022**

Exhibit 6

Total Net Change in Fund Balances - Governmental Funds \$ 4,320,459

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	\$ (5,330,291)	
Intangible Right-to-Use Assets Amortization	(495,693)	
Capital Outlays	160,183	
Net Book Value of Capital Assets Retired	(61,124)	(5,726,925)

Because some property taxes and other revenues will not be collected within the current financial resources measurement focus period, they are not considered as "available" revenues in the governmental funds. Unavailable revenues decreased by this amount this year. (170,730)

Repayment of bond, notes and financing agreements principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 2,294,894

Payments for the intangible right-to-use assets are reported as principal and interest in governmental funds, but in the statement of activities, the asset is amortized and the repayment reduces the long-term liabilities in the statement of net position. 488,192

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	(13,673)	
Other Post-Employment Benefits- PSERS	40,038	
Other Post-Employment Benefits- District	419,369	445,734

**Fox Chapel Area School District
Reconciliation of the Governmental Funds
and Changes in Fund Balances
to the Statement of Activities
Year Ended June 30, 2022**

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		33,937
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Bond premium is reported in the statement of revenues and expenditures of governmental funds as expenditures but are capitalized and amortized over the life of the bonds in the statement of activities.

Amortization of Bond Premium	545,374	
Amortization of Intangible Asset of Joint Venture Payment	<u>(146,599)</u>	398,775

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

District Pension Contributions to PSERS	16,199,724	
Cost of Benefits Earned	<u>(6,122,702)</u>	<u>10,077,022</u>

Change in Net Position of Governmental Activities		<u>\$ 12,161,358</u>
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See Accompanying Notes

**Fox Chapel Area School District
Statement of Net Position
Proprietary Funds
June 30, 2022**

Exhibit 7

	Food Service Fund
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 947,863
Due From Other Governments	292,434
Inventories	<u>34,603</u>
Total Current Assets	<u>1,274,900</u>
Noncurrent Assets	
Furniture and Equipment, Net	<u>26,937</u>
TOTAL ASSETS	<u>1,301,837</u>
DEFERRED OUTFLOWS OF RESOURCES	
Amounts Related to OPEB-PSERS	18,736
Amounts Related to Pensions	<u>269,242</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>287,978</u>
LIABILITIES	
Current Liabilities	
Due to Other Funds	94,695
Accounts Payable	117
Unearned Revenues	12,884
Other Current Liabilities	<u>61,047</u>
Total Current Liabilities	<u>168,743</u>
Noncurrent Liabilities	
Net OPEB-PSERS	86,199
Net Pension Liability	<u>1,496,246</u>
Total Noncurrent Liabilities	<u>1,582,445</u>
TOTAL LIABILITIES	<u>1,751,188</u>
DEFERRED INFLOWS OF RESOURCES	
Amounts Related to OPEB-PSERS	8,467
Amounts Related to Pensions	<u>310,735</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>319,202</u>
NET POSITION	
Invested in Capital Assets	26,937
Unrestricted	<u>(507,512)</u>
TOTAL NET POSITION	<u>\$ (480,575)</u>

See Accompanying Notes

Fox Chapel Area School District
Statement of Revenues, Expenses and Changes
in Net Position
Proprietary Funds
Year Ended June 30, 2022

Exhibit 8

	Food Service Fund
Operating Revenues	
Food Service Revenue	<u>\$ 246,857</u>
Operating Expenses	
Salaries	573,878
Employee Benefits	284,831
Purchased Property Services	6,443
Other Purchased Services	20,321
Supplies	960,476
Depreciation	3,046
Dues and Fees	1,222
Other Operating Expenditures	<u>3,694</u>
Total Operating Expenses	<u>1,853,911</u>
Operating Income (Loss)	<u>(1,607,054)</u>
Nonoperating Revenues (Expenses)	
Earnings on Investments	846
State Sources	183,314
Federal Sources	<u>2,371,700</u>
Total Nonoperating Revenues (Expenses)	<u>2,555,860</u>
Change in Net Position	948,806
Net Position - July 1, 2021	<u>(1,429,381)</u>
Net Position - June 30, 2022	<u>\$ (480,575)</u>

See Accompanying Notes

**Fox Chapel Area School District
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2022**

Exhibit 9

	Food Service Fund
Cash Flows From Operating Activities	
Cash Received from Users	\$ 237,884
Cash Payments to Employees for Services	(922,381)
Cash Payments to Suppliers for Goods and Services	(865,467)
Cash Payments for Other Operating Expenses	<u>(4,916)</u>
Net Cash Provided by (Used for) Operating Activities	<u>(1,554,880)</u>
Cash Flows From Non-Capital Financing Activities	
State Sources	181,785
Federal Sources	<u>2,134,050</u>
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>2,315,835</u>
Cash Flows From Capital and Related Financing Activities	
Facilities Acquisition/Const./Imp.Serv	<u>(18,060)</u>
Cash Flows From Investing Activities	
Earnings on Investments	846
Loans Received (Paid)	<u>(672,625)</u>
Net Cash Provided by (Used for) Investing Activities	<u>(671,779)</u>
Net Increase (Decrease) in Cash and Cash Flows	71,116
Cash and Cash Equivalents - July 1, 2021	<u>876,747</u>
Cash and Cash Equivalents - June 30, 2022	<u>\$ 947,863</u>

**Fox Chapel Area School District
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2022**

Exhibit 9

	Food Service Fund
Operating Income (Loss)	\$ (1,607,054)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities	
Depreciation	3,046
Change in Pensions and OPEB Liability	(63,672)
Donated Commodities	129,681
(Increase) Decrease in Inventories	(4,802)
Increase (Decrease) in Accounts Payable	(3,106)
Increase (Decrease) in Other Current Liabilities	<u>(8,973)</u>
Total Adjustments	<u>52,174</u>
Cash Provided by (Used for) Operating Activities	<u>\$ (1,554,880)</u>

Noncash Non-Capital Financing Activities

During the year ended June 30, 2022, the School District received \$121,979 of U.S.D.A Donated Commodities in the food service fund.

See Accompanying Notes

**Fox Chapel Area School District
Statement of Net Position
Fiduciary Funds
June 30, 2022**

Exhibit 10

	Custodial Fund
ASSETS	
Cash and Cash Equivalents	<u>\$ 212,180</u>
LIABILITIES	<u>-</u>
NET POSITION	
Restricted for:	
Student Groups	<u>212,180</u>
TOTAL NET POSITION	<u>\$ 212,180</u>

See Accompanying Notes

Fox Chapel Area School District
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
June 30, 2022

Exhibit 11

	Custodial Fund
Additions	
Revenue from Student Activities	\$ 253,245
Interest Earnings	<u>86</u>
Total Additions	<u>253,331</u>
Deductions	
Student Activities Program Expenses	<u>202,780</u>
Change in Net Position	50,551
Net Position - July 1, 2021	<u>161,629</u>
Net Position - June 30, 2022	<u><u>212,180</u></u>

See Accompanying Notes

Fox Chapel Area School District
Notes to Financial Statements
June 30, 2022

Note 1 - Summary of Significant Accounting Policies

Fox Chapel Area School District, located in Allegheny County, Pennsylvania, provides public education, kindergarten through twelfth grade, to the residents of the Boroughs of Aspinwall, Blawnox, Fox Chapel and Sharpsburg and the Townships of Indiana and O'Hara. 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 Fox Chapel Area School District. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. In the government-wide statement of net position, governmental activities are represented on a consolidated basis by column.

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

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

B. Basic Financial Statements - Fund Financial Statements

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

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

1. Governmental Funds

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

Fox Chapel Area School District
Notes to Financial Statements
June 30, 2022

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

2. Proprietary Funds

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

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

3. Fiduciary Funds

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

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

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

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

Fox Chapel Area School District
Notes to Financial Statements
June 30, 2022

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

Fox Chapel Area School District
Notes to Financial Statements
June 30, 2022

D. Joint Venture

The School District is one of nine-member school districts of the A. W. Beattie Career Center (Beattie). Beattie provides vocational-technical training and education to participating students of the member districts. Beattie is controlled and governed by the Joint Board, which is composed of all the school board members of all the member districts. Beattie's operations are the responsibility of the Joint Committee, which consists of two representatives from each participating school district. No member of the Jointure exercises specific control over the fiscal policies or operations of Beattie. The School District's share of annual operating and capital costs for Beattie fluctuates, based on the percentage of enrollment of each member district in the school. The School District's financial obligation to Beattie for the year ended June 30, 2022, was \$637,644 which was paid in the year ended June 30, 2022 to Beattie and reported in the School District's general fund. The School District has no equity interest in Beattie as of June 30, 2022. Complete financial statements for Beattie can be obtained from the administrative offices at 9600 Babcock Boulevard, Allison Park, PA 15101-2091.

E. Cash and Cash Equivalents

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

F. Investments

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

G. Budgets

The School Board approves, prior to the beginning of each year, an annual budget on the modified accrual basis of accounting for the general fund. This is the only fund for which a budget is required and for which taxes may be levied. The general fund is the only fund that has an annual budget that has been legally adopted by the School Board. The Public School Code allows the School Board to authorize budget transfer amendments during the year, but only during the last nine months of the fiscal year. The School Board approved various budget transfers throughout the school year. There were \$2,954,376 of supplemental budgetary appropriations made during the year ended June 30, 2022.

Fox Chapel Area School District
Notes to Financial Statements
June 30, 2022

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

H. Receivables and Payables

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

I. Inventories

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

Inventories in governmental funds are stated at cost by the first-in, first-out method. The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, an estimated value of inventories is reported as an asset in the general fund, if considered material. There was no material inventory balance as of June 30, 2022.

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, 2022 are reported as unearned 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 \$5,000 and an estimated useful life in excess of one year. Management has elected to include certain homogeneous asset categories with individual assets less than \$5,000 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.

Fox Chapel Area School District
Notes to Financial Statements
June 30, 2022

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

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

Assets	Years
Buildings	40
Building Improvements	20-40
Land Improvements	15-20
Furniture	15
Vehicles	8
Equipment	5-10
Computers	5

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

L. Intangible Right-to-Use Assets

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

M. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to future periods and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The School District has various items that qualify for reporting in this category. The items in the government-wide statement of net position are related to the participation in the cost-sharing defined benefit pension plan and the other post-employment benefit plans.

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

Fox Chapel Area School District
Notes to Financial Statements
June 30, 2022

The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

N. Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discount during the current period. The face amount of debt issued is reported as other financing sources while premium and discount on debt issuances are reported as other financing sources or uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

O. Compensated Absences

The School District's policies regarding vacation and sick time is 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.

P. 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.

Q. 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".

Fox Chapel Area School District
Notes to Financial Statements
June 30, 2022

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 purposes of the nonspendable, committed and assigned fund balances as of June 30, 2022, are as follows:

General Fund

1. Nonspendable fund balance of \$1,157,362 is for prepaid items.

2. The committed fund balance of \$7,221,889 is for the following purposes:

a. Employer Retirement Future Increases	\$7,205,782
b. Arts Grants	<u>16,107</u>
	<u>\$7,221,889</u>

3. The assigned fund balance of \$10,103,896 is for future capital projects and/or improvements in the amount of \$10,000,000 and for athletic activities in the amount of \$103,896.

**Fox Chapel Area School District
Notes to Financial Statements
June 30, 2022**

Capital Projects Fund

The assigned fund balance of \$2,921,067 in the capital projects fund is assigned for future capital projects district-wide in the amount of \$2,665,932 and for athletic capital development in the amount of \$255,135.

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, 2022, \$10,750,038 of the School District's bank balance of \$11,250,038 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>\$10,750,038</u>

As of June 30, 2022, the School District had the following investments:

Investments	Fair Value
PLGIT	\$ 3,966,322
PSDLAF	21,036,747
PA Invest	<u>450,442</u>
	<u>\$ 25,453,511</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 Pennsylvania School District Liquid Asset Fund (PSDLAF), the Pennsylvania Local Government Investment Trust (PLGIT), PA Invest funds and First American Government Obligation Fund were rated AAAM by Standard & Poor's as of June 30, 2022.

Fox Chapel Area School District
Notes to Financial Statements
June 30, 2022

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

Investments

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

PSDLAF and PLGIT are governed by an elected board of trustees who are responsible for the overall management of the funds. The trustees are elected from the several classes of local governments participating in the funds. The funds are audited annually by independent auditors. PSDLAF, PLGIT and PA Invest 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 values of the position in PSDLAF, PLGIT and PA Invest are the same as the value of 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 has no investments that require disclosure as of June 30, 2022 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 2021/2022 was 20.12690 mills (\$20.1269 per \$1,000 assessed valuation). The tax calendar for real estate taxes levied for 2021/2022 is as follows:

Tax Levy Date	July 1, 2021
2% Discount Period	Through August 31, 2021
Face Payment Period	September 1 - October 31, 2021
10% Penalty Period	November 1 Until Liened
Lien Filing Date	July 1, 2022

Taxpayers who have been granted a homestead/farmstead exclusion may also pay their tax in installments. The installment plan consists of three payments due August 31, October 31 and November 30.

Fox Chapel Area School District
Notes to Financial Statements
June 30, 2022

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 deferred inflows of resources on the balance sheet until they are received. The amounts reported for this receivable are reported on the balance sheet in the amount of \$3,128,338, net of estimated uncollectible accounts, along with other taxes receivable of \$1,630,103.

Note 4 - Due from Other Governments

Amounts due from other governments represent receivables for revenues earned by the School District. At June 30, 2022, the following amounts are due from other governmental units:

	Governmental Funds	Enterprise Funds	Totals
Federal (through the state)	\$ 2,230,426	\$ 284,415	\$ 2,514,841
State	3,933,844	8,019	3,941,863
	<u>\$ 6,164,270</u>	<u>\$ 292,434</u>	<u>\$ 6,456,704</u>

Note 5 - Capital Assets

Capital asset activity for the year ended June 30, 2022, was as follows:

	Balance 07/01/21	Additions	Deletions/ Transfers	Balance 06/30/22
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 2,413,944	\$ -	\$ -	\$ 2,413,944
Capital Assets Being Depreciated				
Land Improvements	15,802,561	-	-	15,802,561
Buildings and Building Improv.	159,117,636	74,000	-	159,191,636
Furniture and Equipment	8,223,731	86,183	(371,374)	7,938,540
Total Capital Assets Being Depreciated	<u>183,143,928</u>	<u>160,183</u>	<u>(371,374)</u>	<u>182,932,737</u>
Less Accumulated Depreciation				
Land Improvements	6,636,400	611,176	-	7,247,576
Buildings and Building Improv.	65,275,744	4,347,721	-	69,623,465
Furniture and Equipment	5,938,081	371,394	(310,250)	5,999,225
Total Accumulated Depreciation	<u>77,850,225</u>	<u>5,330,291</u>	<u>(310,250)</u>	<u>82,870,266</u>
Total Capital Assets Being Depreciated, Net	<u>105,293,703</u>	<u>(5,170,108)</u>	<u>(61,124)</u>	<u>100,062,471</u>
Governmental Activities Capital Assets, Net	<u>\$ 107,707,647</u>	<u>\$ (5,170,108)</u>	<u>\$ (61,124)</u>	<u>\$ 102,476,415</u>

Fox Chapel Area School District
Notes to Financial Statements
June 30, 2022

	Balance 07/01/21	Additions	Deletions/ Transfers	Balance 06/30/22
Business-Type Activities				
Furniture and Equipment	\$ 598,595	\$ 18,060	\$ -	\$ 616,655
Less Accumulated Depreciation and Equipment	<u>586,672</u>	<u>3,046</u>	<u>-</u>	<u>589,718</u>
Business-Type Activities Capital Assets, Net	<u>\$ 11,923</u>	<u>\$ 15,014</u>	<u>\$ -</u>	<u>\$ 26,937</u>
 Governmental Activities				
Intangible Right-to-use Assets:				
Leased Buildings	<u>\$ 2,478,467</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,478,467</u>
Less Accumulated Amortization	<u>495,694</u>	<u>495,693</u>	<u>-</u>	<u>991,387</u>
Net Intangible Right-to-use Assets	<u>\$ 1,982,773</u>	<u>\$ (495,693)</u>	<u>\$ -</u>	<u>\$ 1,487,080</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities

Instruction	\$ 4,613,552
Instructional Student Support	22,891
Administration and Financial Support Services	269,146
Operation and Maintenance of Plant Services	175,428
Student Activities	<u>249,274</u>

Total Depreciation Expense \$ 5,330,291

Business-Type Activities

Food Service	<u>\$ 3,046</u>
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Governmental Activities

Intangible Right-to-use Assets:

Administration and Financial Support Services	<u>\$ 495,693</u>
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Fox Chapel Area School District
Notes to Financial Statements
June 30, 2022

Note 6 - Interfund Balances and Transfers

At June 30, 2022, interfund balances were:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 94,695	\$ 27,994
Food Service	-	94,695
Capital Projects Fund	<u>27,994</u>	<u>-</u>
	<u>\$ 122,689</u>	<u>\$ 122,689</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.

For the year ended June 30, 2022, interfund transfers consisted of the general fund transferring \$675,925 to the capital projects fund to fund capital projects and the capital projects fund transferred \$123,592 to the general fund as that fund was closed.

Note 7 - Long-Term Liabilities

Long-term liability for the year ended June 30, 2022 was as follows:

	Balance 07/01/21	Additions	Reductions	Balance 06/30/22	Due Within One Year
Governmental Activities					
Bonds Payable					
General Obligation Bonds	\$ 64,205,000	\$ -	\$ 1,875,000	\$ 62,330,000	\$ 1,950,000
Plus: Bond Premium	<u>8,394,037</u>	<u>-</u>	<u>545,374</u>	<u>7,848,663</u>	<u>-</u>
Total Bonds Payable	<u>72,599,037</u>	<u>-</u>	<u>2,420,374</u>	<u>70,178,663</u>	<u>1,950,000</u>
General Obligation Notes	1,545,108	-	166,492	1,378,616	175,050
Financing Agreements	299,858	-	253,402	46,456	46,456
Compensated Absences	<u>4,485,620</u>	<u>68,815</u>	<u>55,142</u>	<u>4,499,293</u>	<u>269,958</u>
Governmental Activities					
Long-Term Liabilities	<u>\$ 78,929,623</u>	<u>\$ 68,815</u>	<u>\$ 2,895,410</u>	<u>\$ 76,103,028</u>	<u>\$ 2,441,464</u>
Lease Liabilities	<u>\$ 2,040,552</u>	<u>\$ -</u>	<u>\$ 488,192</u>	<u>\$ 1,552,360</u>	<u>\$ 502,539</u>
Total Long-Term Obligations as Reported in the Statement of Net Position				<u>\$ 77,655,388</u>	<u>\$ 2,944,003</u>

Fox Chapel Area School District
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General Obligation Bonds

Capital Projects - \$43,535,000 Issue of 2013; due in annual installments through August 1, 2024; interest due semi-annually at 0.50% to 5.0% \$ 33,275,000

Capital Projects - \$29,075,000 Issue of 2017; due in annual installments through February 1, 2042; interest due semi-annually at 1.05% to 5.0% 29,055,000

\$ 62,330,000

General Obligation Note

\$2,297,434 Series of 2016; due in annual installments through October 15, 2028; interest due semi-annually at 0.50% to 5.0% \$ 1,378,616

Financing Agreement

Agreement dated May 20, 2020 in the amount of \$139,372; due in annual payments of \$47,146 including interest at 3.49% through June 30, 2023 \$ 46,456

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

The annual requirements of School District funds to amortize all debt outstanding (excluding compensated absences) as of June 30, 2022, including interest, are as follows:

Year Ended June 30,	General Obligation Bonds		General Obligation Notes		Financing Agreements		Totals
	Principal	Interest	Principal	Interest	Principal	Interest	
2023	\$ 1,950,000	\$ 3,043,805	\$ 175,050	\$ 40,538	\$ 46,456	\$ 690	\$ 5,256,539
2024	2,040,000	2,953,942	183,608	31,571	-	-	5,209,121
2025	2,145,000	2,849,447	192,944	22,157	-	-	5,209,548
2026	2,255,000	2,739,578	200,724	15,327	-	-	5,210,629
2027	2,370,000	2,624,082	204,614	11,273	-	-	5,209,969
2028-2032	13,810,000	11,168,312	421,676	9,410	-	-	25,409,398
2033-2037	17,465,000	7,506,612	-	-	-	-	24,971,612
2038-2042	20,295,000	2,982,750	-	-	-	-	23,277,750
	<u>\$ 62,330,000</u>	<u>\$ 35,868,528</u>	<u>\$ 1,378,616</u>	<u>\$ 130,276</u>	<u>\$ 46,456</u>	<u>\$ 690</u>	<u>\$ 99,754,566</u>

Fox Chapel Area School District
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Note 8 – Lease Liabilities

The School District entered into an agreement to lease copiers on June 8, 2020. The terms of the lease are for five years requiring original monthly payments of \$42,000 and amended to \$45,076 on July 1, 2021. The lease agreement qualifies as other than short-term lease under GASB 87 and, therefore, has been recorded at present value of the future minimum lease payments as of the date of the inception. For purposes of discounting future payments, the School District determined an interest rate of 2.9% to be an appropriate discount rate. As of June 30, 2022, the value of the lease liability recorded for the above lease was \$1,552,360. As a result, the School District has recorded an Intangible Right-to-Use asset with a net book value of \$1,487,080 as of June 30, 2022. Future minimum lease payments under this lease are as follows:

Year Ended June 30,	Lease Payable		Totals
	Principal	Interest	
2023	\$ 502,539	\$ 38,374	\$ 540,913
2024	517,309	23,605	540,914
2025	532,512	8,402	540,914
	\$ 1,552,360	\$ 70,381	\$ 1,622,741

Note 9 - Public School Employees' Retirement System (PSERS)

A. Summary of Significant Accounting Policies

Pensions

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

B. General Information about the Pension Plan

1. Plan Description

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

Fox Chapel Area School District
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2. Benefits Provided

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

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

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

3. Contributions

Member Contributions

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

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

Employer Contributions

The School District's contractually required contribution rate for fiscal year ended June 30, 2022 was 34.14% 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 \$16,394,055 for the year ended June 30, 2022.

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

At June 30, 2022, the School District reported a liability of \$133,968,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2020 to June 30, 2021. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2022, the School District's proportion was 0.3263%, which was a decrease of 0.0122% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the School District recognized pension expense of \$6,251,442. At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 99,000	\$ 1,760,000
Net difference between projected and actual investment earnings	-	21,325,000
Change in assumptions	6,498,000	-
Changes in proportions	-	4,737,000
Difference between employer contributions and proportionate share of total contributions	110,263	-
Contributions subsequent to the measurement date	16,394,055	-
	\$23,101,318	\$27,822,000

Fox Chapel Area School District
Notes to Financial Statements
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\$16,394,055 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, 2023.

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,	
2023	\$ (6,002,819)
2024	(4,183,737)
2025	(4,053,744)
2026	<u>(6,874,437)</u>
	<u>\$ (21,114,737)</u>

1. Changes in Actuarial Assumptions

The total pension liability as of June 30, 2021 was determined by rolling forward the System's total pension liability as of June 30, 2020 to June 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation Date-June 30, 2020
- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 7.00%, includes inflation at 2.50%.
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- The discount rate used to measure the Total Pension Liability decreased from 7.25% as of June 30, 2020 to 7.00% as of June 30, 2021.
- Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation:
 - Salary growth rate – decreased from 5.00 % to 4.50%
 - Real wage growth and merit or seniority increases (components for salary growth) decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.
 - Mortality rates – Previously based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

Fox Chapel Area School District
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The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2020.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	27.0%	5.2%
Private equity	12.0%	7.3%
Fixed Income	35.0%	1.8%
Commodities	10.0%	2.0%
Absolute return	8.0%	3.1%
Infrastructure/MLPs	8.0%	5.1%
Real estate	10.0%	4.7%
Cash	3.0%	0.1%
Leverage	<u>-13.0%</u>	0.1%
	<u>100%</u>	

The above was the Board’s adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2021.

2. Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Fox Chapel Area School District
Notes to Financial Statements
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3. Sensitivity of School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	(In Thousands)		
	1.00% Decrease	Current Discount Rate	1.00% Increase
	6.00%	7.00%	8.00%
School District's proportionate share of the net pension liability	\$ 175,838	\$ 133,968	\$ 98,649

4. Pension Plan Fiduciary Net Position

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

Note 10 - Tax Shelter Annuity

Under the current Act 93 agreement which is effective for the period July 1, 2021 through June 30, 2026, the School District will contribute \$1 for every \$2 contributed into a tax-sheltered annuity of the employee's choice. The maximum per employee board contribution in each year of the agreement shall not exceed \$7,000. The total contributed by the School District in the year ended June 30, 2022, was \$109,537.

Note 11 - Contingent Liabilities

Fox Chapel Area School District participates in a number of federally assisted grant programs, principal of which are Education Stabilization Fund 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, 2022 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.

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Note 12 - Other Post-Employment Benefit Plan

A. Plan Description

Fox Chapel Area School District administers a single-employer defined benefit healthcare plan (“the Supplemental Health Plan”). The plan provides medical, and in some cases dental, vision, and life insurance, for five groups of employees: teachers; administrators; secretaries/aides; custodial/maintenance; confidential secretaries; and cafeteria workers. The benefits provided are for the eligible retirees and their spouses through the School District group health insurance plan which covers both active and retired members. Benefit provisions are mostly established through negotiations between the School District and union or group representing the employees. The plan does not issue a publicly available financial report.

B. Funding Policy

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

1) Medical Benefits

For all Employees Eligible for Benefits

Upon retirement, employees have a choice of either a PPO or an EPO product. Both programs are provided through the Allegheny County Schools Health Insurance Consortium (ACSHIC) and are Administered by Highmark. The PPO program is referred to as Community Blue Flex PPO and the EPO is referred to as Community Blue Flex EPO.

Note: For all employee groups other than the Teachers, both programs are offered to current active employees. The only option currently available to the Teachers is the PPO. However, upon retiring, Teachers can choose either the PPO or the EPO.

Current Incentive

The current incentive for the Confidential Secretaries is in effect through June 30, 2024.

The incentives state: The District will provide to a Confidential Employee with a minimum of 20 years, and a maximum of 35 years, in the Public School Employees Retirement System (PSERS), upon retirement from employment with the School District, a disbursement of \$300 a month for a period of 10 years following the date of retirement or until the Confidential Employee reaches other government-sponsored insurance eligibility, (currently 65 years of age), whichever comes first.

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Prior Incentives

The Memorandum of Understanding for this incentive, available to Teachers and Administrators, during the 2018-2023 Bargaining Agreement with the Fox Chapel Educators Association stated that: To be eligible to receive this retirement incentive, the professional employee, who has no less than 15 years and has not previously declined a past Early Retirement Incentive offered in the 35th or higher year of credit services with PSERS, must have submitted the District's irrevocable Letter of Intent to Retire by April 28, 2017. Such professional employee must terminate service with an effective date that coincided with the end of the first or second semester and no later than the end of the second semester of the 2019-2020 school year. The District shall provide for the same level of healthcare insurance (i.e., Individual, Husband/Wife, Parent/Child, or Family) being provided to the professional employee as of the date of retirement for ten (10) years or until the retiree becomes eligible for a government provided plan, whichever occurs first. Retirees receiving Individual, Husband/Wife, or Parent/Child coverage will be responsible for a \$100.00 monthly contribution towards the health insurance. This amount will remain fixed for those retiring under this agreement. Retirees receiving Family coverage will likewise be responsible for the fixed \$100.00 monthly contribution. Additionally, Retirees receiving Family coverage will be responsible for payment of an amount equal to the difference between Employee/Spouse and Family coverage (which changes yearly).

The Memorandum of Understanding for this incentive, available to Teachers and administrators, during only two of the four years of the 2014-2018 Collective Bargaining Agreement with the Fox Chapel Educators Association stated that: The District will provide to a professional employee with a minimum of 20 years, and a maximum of 35 years, in the PSERS, upon retirement from employment with the School District, a disbursement of \$300 per month for a period of up to 10 years following the date of retirement or until the professional employee reaches other government-sponsored insurance eligibility (currently 65 years of age), whichever first occurs.

Contributions

The amount that a retiree must contribute towards postretirement medical coverage depends on whether or not the employee retired under a retirement incentive. Retirees who did not retire under an incentive must pay 100% of the cost of coverage. A 2% admin fee is charged to the Administrators, Secretaries/Aides, Food Service, and Custodial/Maintenance groups.

Benefit Duration

Benefits are provided to the retiree and/or spouse to the age of 65 or until the retiree and/or spouse reaches other government-sponsored insurance eligibility, whichever comes first.

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2) Life Insurance

The District no longer provides life insurance to future retirees. There are still grandfathered retirees who have a District paid policy of \$1,000.

3) Dental/Vision

Retirees are also eligible for dental and/or vision benefits.

All retirees must pay for 100% of the cost of dental and/or vision benefits. These benefits are provided until the retiree and/or spouse reaches the age of 65 or until the retiree and/or spouse reaches other government sponsored insurance eligibility, whichever comes first. A 2% admin fee is charged to the Administrators, Secretaries/Aides, Food Service, and Custodial/Maintenance groups.

4) Long-Term Disability

For those employees who are in receipt of a disability pension through PSERS, the School District will allow the individual to continue medical coverage up to age 65, or until the retiree reaches other government-sponsored insurance eligibility, whichever comes first, provided that the individual contributes 100% of the premium rate.

5) Employees Covered by Benefit Terms

At July 1, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	64
Active employees	<u>459</u>
	<u>523</u>

C. Total OPEB Liability

The School District's total OPEB liability of \$13,824,141 was measured as of July 1, 2021 and was determined by an actuarial valuation performed as of July 1, 2021.

D. Actuarial Methods and Assumptions

The total OPEB liability in the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00%
Salary Increases	2.50%
Discount Rate	2.16%
Healthcare Cost Trend Rates	7.00% for 2022/2023 decreasing by 0.50% through 2032

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

Mortality rates were based on the Pri.H-2012 Total Dataset Mortality Table projected using Scale MP-2020.

Fox Chapel Area School District
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The actuarial assumptions used in the July 1, 2021 valuation were selected using input from the School District based upon actual experience.

E. Change in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2021	\$ 14,609,012
Changes for the year:	
Service Cost	342,953
Interest	322,859
Difference between expected and actual experience	144,494
Changes of assumptions or other inputs	(762,023)
Benefit Payments	<u>(833,154)</u>
Net Changes	<u>(784,871)</u>
Balance at June 30, 2022	<u>\$ 13,824,141</u>

F. Changes of Assumptions and Other Inputs

- Updated the discount rate from 2.21% to 2.16%.
- Updated the mortality improvement scale and table.
- Updated the assumed medical trends rates.
- Added an assumption that a retirement incentive would be offered to Teachers, Administrators and Confidential employees every three years that is similar to the most recent incentive.

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

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.16%) or one percentage point higher (3.16%) than the current discount rate:

	1.00% Decrease 1.16%	Current Discount Rate 2.16%	1.00% Increase 3.16%
Total OPEB Liability	\$ 14,834,817	\$ 13,824,141	\$ 12,904,730

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

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

	1.00% Decrease	Healthcare Cost Trend Rates	1.00% Increase
Total OPEB Liability	\$ 12,907,373	\$ 13,824,141	\$ 14,859,655

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

For the year ended June 30, 2022, the School District recognized OPEB gain of \$419,369. At June 30, 2022, the School District reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ 1,025,669	\$ 822,658
Difference between expected and actual experience	689,246	-
Benefit payments subsequent to the measurement date	<u>1,194,673</u>	<u>-</u>
	<u>\$ 2,909,588</u>	<u>\$ 822,658</u>

The \$1,194,673 amount reported as deferred outflows of resources resulting from the School District's benefit payments subsequent to the measurement date will be recognized as a reduction in next year's total OPEB liability. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	
2023	\$ 109,492
2024	109,492
2025	109,492
2026	109,492
2027	109,492
Thereafter	<u>344,797</u>
	<u>\$ 892,257</u>

Fox Chapel Area School District
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Note 13 - Other Post-Employment Benefits - PSERS

A. Summary of Significant Accounting Policies

Other Post-Employment Benefits

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

B. General Information about the Health Insurance Premium Assistance Program

1. Health Insurance Premium Assistance Program

The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2021, there were no assumed future benefit increases to participating eligible retirees.

2. Premium Assistance Eligibility Criteria

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

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

Fox Chapel Area School District
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June 30, 2022

3. Pension Plan Description

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

4. Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2021, there were no assumed future benefit increases to participating eligible retirees.

Employer Contributions

The School District's contractually required contribution rate for fiscal year ended June 30, 2022 was 0.80% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the School District were \$385,856 for the year ended June 30, 2022.

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

At June 30, 2022, the School District reported a liability of \$7,717,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2020 to June 30, 2021. The School District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2022, the School District's proportion was 0.3256%, which was a decrease of 0.0125% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the School District recognized OPEB expense of \$347,737.

Fox Chapel Area School District
Notes to Financial Statements
June 30, 2022

At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 72,000	\$ -
Changes in assumptions	822,000	103,000
Net difference between projected and actual investment earnings	15,000	-
Changes in proportions	357,000	655,000
Difference between employer contributions and proportionate share of total contributions	2,009	-
Contributions subsequent to the measurement date	<u>385,856</u>	<u>-</u>
	<u>\$ 1,653,865</u>	<u>\$ 758,000</u>

\$385,856 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	
2023	\$ 2,800
2024	1,485
2025	252,286
2026	107,438
2027	82,000
Thereafter	<u>64,000</u>
	<u>\$ 510,009</u>

1. Actuarial Assumptions

The total OPEB liability as of June 30, 2021 was determined by rolling forward the System's total OPEB liability at June 30, 2020 to June 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 2.18 %, S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.

**Fox Chapel Area School District
Notes to Financial Statements
June 30, 2022**

- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Mortality Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate pre age 65 at 50%.
 - Eligible retirees will elect to participate post age 65 at 70%.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2015.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2019 determined the employer contribution rate for fiscal year 2021.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Improvement Scale.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	79.8%	0.1%
US Core Fixed Income	17.5%	0.7%
Non-US Developed Fixed	<u>2.7%</u>	-0.3%
	<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, 2021.

**Fox Chapel Area School District
Notes to Financial Statements
June 30, 2022**

2. Discount Rate

The discount rate used to measure the Total OPEB Liability was 2.18%. Under the plan's funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 2.18% which represents the S&P 20 year Municipal Bond Rate at June 30, 2021, was applied to all projected benefit payments to measure the total OPEB liability.

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2021, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2021, 93,392 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2021, 611 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the System net OPEB liability for June 30, 2021, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if its health cost trends were 1 percentage point lower or 1 percentage point higher than the current rate:

	(In Thousands)		
	1.00%	Current	1.00%
	Decrease	Trend Rate	Increase
System net OPEB Liability	\$ 7,716	\$ 7,717	\$ 7,718

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

The following presents the net OPEB liability, calculated using the discount rate of 2.18%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.18%) or 1 percentage point higher (3.18%) than the current rate:

	(In Thousands)		
	1.00%	Current	1.00%
	Decrease	Discount Rate	Increase
	1.18%	2.18%	3.18%
School District's proportionate share of the net OPEB liability	\$ 8,856	\$ 7,717	\$ 6,779

Fox Chapel Area School District
Notes to Financial Statements
June 30, 2022

5. OPEB Plan Fiduciary Net Position

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

Note 14 - Risk Management

The School District is one of forty-six members of the Allegheny County Schools Health Insurance Consortium (Consortium) which purchases health benefits on behalf of participating public school districts. The School District is billed monthly based on employee count and coverage information at rates established by the Consortium at the beginning of each fiscal year. As the Consortium is self-insured, rates are established with the objective of satisfying estimated claims and other costs, as well as maintaining working capital requirements. Contributions to the Consortium totaled \$10,227,358 and \$10,099,534 for the years ended June 30, 2022 and 2021, 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, 2022, the net position of the Consortium was \$51,449,149 of which \$1,650,137 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, worker's compensation and liability claims.

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

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

Note 15 - On-Behalf Payments

The amounts recognized for revenues and expenditures for on-behalf payments relating to fringe benefits for the year ended June 30, 2022, were \$10,180,318.

This includes \$8,420,454 recognized for revenues and expenditures relating to pension contributions for its employees that the Commonwealth of Pennsylvania paid to the Public School Employees' Retirement System (PSERS) for pension and \$1,759,864 to the federal government for social security and Medicare taxes for the year ended June 30, 2022. The School District pays these on-behalf payments directly to PSERS and the government and is reimbursed by the Commonwealth for their appropriate share.

Fox Chapel Area School District
Notes to Financial Statements
June 30, 2022

Note 16 – Prior Period Restatement

As a result of the implementation of GASB Statement No. 87 “Leases”, the School District made a prior period adjustment to record the value of the right-to-use asset net of accumulated amortization \$1,982,773 and the associated lease liability (\$2,040,552) as of July 1, 2021. This prior period adjustment and its effect on Net Position at July 1, 2021 was a decrease in Governmental Activities net position of \$57,779 restating the net position reported in the prior period financial statements of (\$107,149,062) to (\$107,206,841).

Note 17 – Subsequent Event

On September 12, 2022, the Board approved a resolution authorizing the issuance of general obligation bonds. The proceeds from the issuance and sale of the bonds will be used to provide the School District with funds required to refund, on a current refunding basis, the outstanding Series of 2013 bonds and pay all costs and expenses incurred in connection with the issuance and sale of the new bonds.

**REQUIRED SUPPLEMENTARY
INFORMATION SECTION**

**Fox Chapel Area School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund – Budget and Actual
Year Ended June 30, 2022**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local Sources				
Taxes				
Current Real Estate Taxes	\$ 67,899,556	\$ 68,529,556	\$ 68,658,977	\$ 129,421
Interim Real Estate Taxes	-	-	181,201	181,201
Public Utility Realty Taxes	74,000	75,906	75,906	-
Payments in Lieu of Current Taxes	15,000	15,000	18,745	3,745
Local Services Taxes	100,100	100,100	94,660	(5,440)
Earned Income Taxes	7,600,000	7,600,000	9,218,611	1,618,611
Real Estate Transfer Taxes	1,000,000	1,000,000	1,352,051	352,051
Delinquencies on Taxes	2,700,000	2,700,000	2,652,813	(47,187)
Earnings on Investments	100,000	100,000	43,282	(56,718)
Other Local Revenues				
Revenue from Student Activities	235,810	340,124	375,204	35,080
Federal Revenues from IU	555,474	557,590	526,600	(30,990)
Contributions & Donations from Private Sources	104,250	321,820	249,208	(72,612)
Rentals	45,000	45,000	44,578	(422)
Tuition from other LEAs	69,000	69,000	48,510	(20,490)
Svcs. Prov. Other Local Gov't. Units	135,000	135,000	58,950	(76,050)
Refund of Prior Year's Expenditures	50,000	50,000	99,106	49,106
Miscellaneous Revenue	65,000	67,895	36,962	(30,933)
Total Revenues from Local Sources	<u>80,748,190</u>	<u>81,706,991</u>	<u>83,735,364</u>	<u>2,028,373</u>
State Sources				
Basic Instructional & Oper. Subsidies				
Basic Instructional Subsidy	3,785,191	4,091,314	4,091,310	(4)
Tuition	-	-	6,481	6,481
Subsidies for Spec. Educ. Programs				
Special Education of Excep. Pupils	2,417,779	2,444,966	2,452,857	7,891
Subsidies for Noneduc. Programs				
Transportation (Regular & Additional)	1,425,000	894,242	894,242	-
Rentals & Sinking Fund Payments	823,877	1,686,588	1,691,680	5,092
Ready to Learn Block Grant	205,030	205,030	205,030	-
Health Services	85,000	77,917	77,917	-
State Property Tax Reduction	1,476,270	1,476,270	1,476,270	-
Other State Revenue	-	750	750	-

**Fox Chapel Area School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund – Budget and Actual
Year Ended June 30, 2022**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Social Security Payments	1,858,000	1,858,000	1,738,228	(119,772)
State Retirement Revenue	<u>8,400,000</u>	<u>8,400,000</u>	<u>8,321,162</u>	<u>(78,838)</u>
Total Revenues from State Sources	<u>20,476,147</u>	<u>21,135,077</u>	<u>20,955,927</u>	<u>(179,150)</u>
Federal Sources				
Restricted Grants-In-Aid from the Fed. Gov't. through the Commonwealth				
Title I	426,867	415,110	415,101	(9)
Title II	97,013	86,078	86,078	-
Title III	3,723	3,836	3,836	-
Title IV	32,162	31,527	31,545	18
Elementary & Secondary School Emergency Relief Fund (ESSER)	-	42,077	42,077	-
Elementary & Secondary School Emergency Relief Fund (ESSER II)	1,100,000	1,290,478	1,290,478	-
ARP ESSER- Elementary & Secondary School Emergency Relief (ESSER III)	-	362,127	362,127	-
Governor's Emergency Education Relief	40,828	40,828	40,828	-
ARP ECF Emergency Connectivity Fund	-	1,254,801	1,254,801	-
ARP ESSER Learning Loss	-	41,000	41,000	-
ARP ESSER After School	-	22,045	22,045	-
Other CARES Act Funding	-	90,961	90,961	-
Medical Assistance - Access	250,000	196,530	196,530	-
Medical Assistance - Admin.	<u>2,000</u>	<u>3,987</u>	<u>9,144</u>	<u>5,157</u>
Total Revenues from Federal Sources	<u>1,952,593</u>	<u>3,881,385</u>	<u>3,886,551</u>	<u>5,166</u>
Total Revenues	<u>103,176,930</u>	<u>106,723,453</u>	<u>108,577,842</u>	<u>1,854,389</u>
Other Financing Sources				
Sale of Capital Assets	75,000	87,010	80,010	(7,000)
Transfer from Other Funds	<u>-</u>	<u>-</u>	<u>123,592</u>	<u>123,592</u>
Total Other Financing Sources	<u>75,000</u>	<u>87,010</u>	<u>203,602</u>	<u>116,592</u>
Total Revenues and Other Financing Sources	<u>103,251,930</u>	<u>106,810,463</u>	<u>108,781,444</u>	<u>1,970,981</u>

**Fox Chapel Area School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund – Budget and Actual
Year Ended June 30, 2022**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Instruction				
Regular Programs				
Personal Services				
Salaries	28,104,037	28,129,587	28,165,399	(35,812)
Employee Benefits	17,369,392	17,368,997	17,391,256	(22,259)
Purchased Prof. and Tech. Services	1,125,400	1,088,900	945,689	143,211
Purchased Property Services	50,836	49,236	34,335	14,901
Other Purchased Services	801,018	801,018	761,965	39,053
Supplies	847,430	906,097	785,285	120,812
Property	107,124	157,450	175,648	(18,198)
Other Objects	30,124	30,912	22,647	8,265
Total Regular Programs	<u>48,435,361</u>	<u>48,532,197</u>	<u>48,282,224</u>	<u>249,973</u>
Special Programs				
Personal Services				
Salaries	6,461,658	6,461,658	6,283,530	178,128
Employee Benefits	3,993,307	3,999,238	3,982,015	17,223
Purchased Prof. and Tech. Services	883,321	1,129,878	1,165,306	(35,428)
Purchased Property Services	17,500	17,500	18,815	(1,315)
Other Purchased Services	1,884,170	1,919,368	1,861,252	58,116
Supplies	39,581	46,485	31,711	14,774
Property	8,500	4,155	7,495	(3,340)
Other Objects	7,190	8,115	5,064	3,051
Total Special Programs	<u>13,295,227</u>	<u>13,586,397</u>	<u>13,355,188</u>	<u>231,209</u>
Vocational Education Programs				
Other Purchased Services	<u>678,000</u>	<u>644,791</u>	<u>644,138</u>	<u>653</u>
Other Instructional Programs				
Personal Services				
Salaries	332,688	329,899	371,169	(41,270)
Employee Benefits	189,509	169,233	180,610	(11,377)
Purchased Prof. and Tech. Services	45,950	32,950	1,650	31,300
Other Purchased Services	54,500	49,047	44,547	4,500
Supplies	28,350	27,668	28,709	(1,041)
Total Other Instructional Programs	<u>650,997</u>	<u>608,797</u>	<u>626,685</u>	<u>(17,888)</u>

**Fox Chapel Area School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund – Budget and Actual
Year Ended June 30, 2022**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Nonpublic School Programs				
Purchased Prof. and Tech. Services	10,500	12,578	13,222	(644)
Supplies	-	6,954	6,955	(1)
Total Nonpublic School Programs	<u>10,500</u>	<u>19,532</u>	<u>20,177</u>	<u>(645)</u>
Pre-Kindergarten				
Personal Services				
Salaries	164,708	164,708	145,961	18,747
Employee Benefits	88,362	88,457	81,556	6,901
Supplies	<u>2,673</u>	<u>2,673</u>	<u>776</u>	<u>1,897</u>
Total Pre-Kindergarten	<u>255,743</u>	<u>255,838</u>	<u>228,293</u>	<u>27,545</u>
Total Instruction	<u>63,325,828</u>	<u>63,647,552</u>	<u>63,156,705</u>	<u>490,847</u>
Support Services				
Pupil Personnel				
Personal Services				
Salaries	2,240,648	2,240,648	2,233,738	6,910
Employee Benefits	1,399,453	1,400,512	1,395,050	5,462
Purchased Prof. and Tech. Services	276,132	272,632	260,873	11,759
Purchased Property Services	20,000	20,884	18,827	2,057
Other Purchased Services	3,400	3,410	659	2,751
Supplies	156,465	160,714	155,163	5,551
Property	72,700	746,807	764,424	(17,617)
Other Objects	<u>67,000</u>	<u>69,987</u>	<u>77,060</u>	<u>(7,073)</u>
Total Pupil Personnel	<u>4,235,798</u>	<u>4,915,594</u>	<u>4,905,794</u>	<u>9,800</u>
Instructional Staff				
Personal Services				
Salaries	1,968,300	1,936,734	1,787,960	148,774
Employee Benefits	1,243,707	1,229,244	1,112,139	117,105
Purchased Prof. and Tech. Services	101,789	111,311	99,073	12,238
Purchased Property Services	56,300	49,500	17,260	32,240
Other Purchased Services	34,838	27,742	9,293	18,449
Supplies	<u>308,732</u>	<u>371,366</u>	<u>327,527</u>	<u>43,839</u>

**Fox Chapel Area School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund – Budget and Actual
Year Ended June 30, 2022**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Property	30,000	1,683,027	1,701,679	(18,652)
Other Objects	<u>6,468</u>	<u>6,546</u>	<u>3,182</u>	<u>3,364</u>
 Total Instructional Staff	 <u>3,750,134</u>	 <u>5,415,470</u>	 <u>5,058,113</u>	 <u>357,357</u>
Administration				
Personal Services				
Salaries	3,413,159	3,413,159	3,438,318	(25,159)
Employee Benefits	1,834,100	1,833,933	1,759,353	74,580
Purchased Prof. and Tech. Services	988,450	1,012,250	888,750	123,500
Purchased Property Services	4,515	5,295	3,493	1,802
Other Purchased Services	98,924	97,674	72,500	25,174
Supplies	94,081	96,426	83,806	12,620
Property	7,000	11,269	7,019	4,250
Other Objects	<u>120,048</u>	<u>120,548</u>	<u>143,985</u>	<u>(23,437)</u>
 Total Administration	 <u>6,560,277</u>	 <u>6,590,554</u>	 <u>6,397,224</u>	 <u>193,330</u>
Pupil Health				
Personal Services				
Salaries	446,408	446,408	408,284	38,124
Employee Benefits	271,455	271,527	253,029	18,498
Purchased Prof. and Tech. Services	21,215	28,215	35,254	(7,039)
Purchased Property Services	1,701	1,701	836	865
Other Purchased Services	120	120	-	120
Supplies	7,373	28,457	27,758	699
Property	1,595	-	-	-
Other Objects	<u>675</u>	<u>675</u>	<u>650</u>	<u>25</u>
 Total Pupil Health	 <u>750,542</u>	 <u>777,103</u>	 <u>725,811</u>	 <u>51,292</u>
Business				
Personal Services				
Salaries	444,147	444,147	429,189	14,958
Employee Benefits	292,225	292,583	277,063	15,520
Purchased Prof. and Tech. Services	61,000	61,000	46,502	14,498
Purchased Property Services	556,591	567,649	63,822	503,827
Other Purchased Services	280	280	157	123
Supplies	196,316	193,655	256,579	(62,924)
Property	6,600	13,195	10,823	2,372
Other Objects	<u>-</u>	<u>-</u>	<u>13,052</u>	<u>(13,052)</u>
 Total Business	 <u>1,557,159</u>	 <u>1,572,509</u>	 <u>1,097,187</u>	 <u>475,322</u>

**Fox Chapel Area School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund – Budget and Actual
Year Ended June 30, 2022**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Oper. and Maint. of Plant Svcs.				
Personal Services				
Salaries	3,458,654	3,458,654	3,161,738	296,916
Employee Benefits	2,321,422	2,323,236	2,096,749	226,487
Purchased Prof. and Tech. Services	348,500	348,500	272,645	75,855
Purchased Property Services	785,963	785,963	726,254	59,709
Other Purchased Services	260,796	260,796	270,030	(9,234)
Supplies	1,459,245	1,571,220	1,720,619	(149,399)
Property	65,000	5,000	30,151	(25,151)
Other Objects	5,050	5,050	5,137	(87)
	<u>8,704,630</u>	<u>8,758,419</u>	<u>8,283,323</u>	<u>475,096</u>
Student Transportation Services				
Personal Services				
Salaries	110,617	110,617	106,661	3,956
Employee Benefits	69,853	69,988	67,856	2,132
Purchased Prof. and Tech. Services	5,500	22,500	13,500	9,000
Other Purchased Services	4,611,591	4,611,591	4,257,903	353,688
Other Objects	-	-	178	(178)
	<u>4,797,561</u>	<u>4,814,696</u>	<u>4,446,098</u>	<u>368,598</u>
Central				
Personal Services				
Salaries	233,847	233,847	225,538	8,309
Employee Benefits	184,168	184,158	225,636	(41,478)
Purchased Prof. and Tech. Services	109,770	124,623	96,658	27,965
Purchased Property Services	36,000	48,595	35,695	12,900
Other Purchased Services	82,888	87,388	24,132	63,256
Supplies	140,833	156,593	177,302	(20,709)
Property	-	104,714	104,714	-
Other Objects	900	10,965	11,120	(155)
	<u>788,406</u>	<u>950,883</u>	<u>900,795</u>	<u>50,088</u>

**Fox Chapel Area School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund – Budget and Actual
Year Ended June 30, 2022**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Other				
Other Purchased Services	100,000	98,011	99,746	(1,735)
Supplies	<u>10,495</u>	<u>10,495</u>	<u>2,772</u>	<u>7,723</u>
Total Other	<u>110,495</u>	<u>108,506</u>	<u>102,518</u>	<u>5,988</u>
Total Support Services	<u>31,255,002</u>	<u>33,903,734</u>	<u>31,916,863</u>	<u>1,986,871</u>
Noninstructional Services				
Student Activities				
Personal Services				
Salaries	1,344,408	1,344,408	1,354,334	(9,926)
Employee Benefits	641,501	630,458	610,815	19,643
Purchased Prof. and Tech. Services	137,232	118,363	120,297	(1,934)
Purchased Property Services	80,457	74,457	67,837	6,620
Other Purchased Services	234,790	239,799	271,252	(31,453)
Supplies	154,957	185,259	169,036	16,223
Property	44,400	53,687	40,144	13,543
Other Objects	<u>57,198</u>	<u>57,198</u>	<u>40,014</u>	<u>17,184</u>
Total Student Activities	<u>2,694,943</u>	<u>2,703,629</u>	<u>2,673,729</u>	<u>29,900</u>
Community Services				
Purchased Prof. and Tech. Services	40,000	45,833	41,340	4,493
Supplies	3,604	6,000	3,501	2,499
Other Objects	<u>13,000</u>	<u>213,000</u>	<u>208,272</u>	<u>4,728</u>
Total Community Services	<u>56,604</u>	<u>264,833</u>	<u>253,113</u>	<u>11,720</u>
Total Noninstructional Services	<u>2,751,547</u>	<u>2,968,462</u>	<u>2,926,842</u>	<u>41,620</u>
Facilities Acquisition, Construction and Improvement Services				
Purchased Prof. and Tech. Services	-	11,505	16,090	(4,585)
Purchased Property Services	581,836	274,625	292,725	(18,100)
Supplies	11,711	11,711	11,533	178
Property	<u>-</u>	<u>-</u>	<u>10,659</u>	<u>(10,659)</u>
Total Facilities Acquisition, Construction and Improvement Services	<u>593,547</u>	<u>297,841</u>	<u>331,007</u>	<u>(33,166)</u>

**Fox Chapel Area School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund – Budget and Actual
Year Ended June 30, 2022**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Debt Service				
Interest	3,123,613	3,123,613	3,176,334	(52,721)
Refunds of Prior Year's Receipts	100,000	100,000	197,087	(97,087)
Redemption of Principal	<u>2,128,402</u>	<u>2,128,402</u>	<u>2,616,594</u>	<u>(488,192)</u>
Total Debt Service	<u>5,352,015</u>	<u>5,352,015</u>	<u>5,990,015</u>	<u>(638,000)</u>
Total Expenditures	<u>103,277,939</u>	<u>106,169,604</u>	<u>104,321,432</u>	<u>1,848,172</u>
Other Financing Uses				
Fund Transfers				
Capital Projects Fund	23,000	669,766	675,925	(6,159)
Food Service Fund	2,000	2,000	-	2,000
Budgetary Reserve	<u>1,500,000</u>	<u>915,945</u>	<u>-</u>	<u>915,945</u>
Total Other Financing Uses	<u>1,525,000</u>	<u>1,587,711</u>	<u>675,925</u>	<u>911,786</u>
Total Expenditures and Other Financing Uses	<u>104,802,939</u>	<u>107,757,315</u>	<u>104,997,357</u>	<u>2,759,958</u>
Net Change in Fund Balance	(1,551,009)	(946,852)	3,784,087	4,730,939
Fund Balance - July 1, 2021	<u>20,553,915</u>	<u>20,553,915</u>	<u>24,729,667</u>	<u>4,175,752</u>
Fund Balance - June 30, 2022	<u>\$ 19,002,906</u>	<u>\$ 19,607,063</u>	<u>\$ 28,513,754</u>	<u>\$ 8,906,691</u>

Fox Chapel Area School District
Note to the Required Supplementary Information
Budget Comparison
June 30, 2022

Note 1 – Budgetary Information

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

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

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

	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB Liability						
Service Cost	\$ 342,953	\$ 313,045	\$ 455,645	\$ 445,227	\$ 204,684	\$ -
Interest	322,859	479,674	489,384	440,475	278,495	-
Change of benefit terms	-	-	(49,716)	-	4,728,579	-
Difference between expected and actual experience	144,494	-	564,963	-	228,120	-
Change of assumptions and other inputs	(762,023)	891,806	180,322	(186,205)	252,436	-
Benefit Payments	<u>(833,154)</u>	<u>(780,495)</u>	<u>(581,198)</u>	<u>(357,675)</u>	<u>(350,917)</u>	<u>-</u>
Net Change in Total OPEB Liability	(784,871)	904,030	1,059,400	341,822	5,341,397	-
Total OPEB Liability - Beginning	<u>14,609,012</u>	<u>13,704,982</u>	<u>12,645,582</u>	<u>12,303,760</u>	<u>6,962,363</u>	<u>-</u>
Total OPEB Liability - Ending	<u>\$ 13,824,141</u>	<u>\$ 14,609,012</u>	<u>\$ 13,704,982</u>	<u>\$ 12,645,582</u>	<u>\$ 12,303,760</u>	<u>\$ 6,962,363</u>
Covered-Employee Payroll	\$ 39,385,542	\$ 40,452,536	\$ 39,465,889	\$ 39,828,273	\$ 38,856,852	\$ 41,467,596
Total OPEB Liability as a Percentage of Covered-Employee Payroll	35.10%	36.11%	34.73%	31.75%	31.66%	16.79%

Notes to Schedule:

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

Assumption Changes:

Discount rate used for fiscal year ending:

2022	2.16%
2021	2.21%

Changes were made to the mortality improvement scale, the assumed medical trend rates, and an assumption that a retirement incentive would be offered every three years.

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.

**Fox Chapel Area School District
Required Supplementary Information
Schedule of School District's Contributions
PSERS
Last Eight Years**

	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually Required Contribution	\$ 16,326,839	\$ 15,536,052	\$ 15,846,731	\$ 15,237,184	\$ 14,431,717	\$ 11,703,684	\$ 11,664,195	\$ 8,584,556
Contributions in Relation to the Contractually Required Contribution	<u>16,326,839</u>	<u>15,536,052</u>	<u>15,846,731</u>	<u>15,237,184</u>	<u>14,431,717</u>	<u>11,703,684</u>	<u>11,664,195</u>	<u>8,584,556</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll	\$ 47,883,936	\$ 46,156,891	\$ 47,449,816	\$ 46,855,076	\$ 45,805,695	\$ 40,081,109	\$ 47,431,251	\$ 42,692,360
Contributions as a Percentage of Covered Payroll	34.10%	33.66%	33.40%	32.52%	31.51%	29.20%	24.59%	20.11%

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.

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

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
School District's Proportion of the Net Pension Liability (Asset)	0.3263%	0.3385%	0.3397%	0.3401%	0.3010%	0.3662%	0.3318%	0.3228%	0.3187%
School District's Proportionate Share of the Net Pension Liability (Asset)	\$ 133,968	\$ 166,674	\$ 158,921	\$ 163,265	\$ 148,659	\$ 181,477	\$ 143,720	\$ 127,766	\$ 130,463
School District's Covered Payroll	\$ 46,157	\$ 47,450	\$ 46,855	\$ 45,806	\$ 40,081	\$ 47,431	\$ 42,692	\$ 41,193	\$ 40,894
School District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	290.24%	351.26%	339.18%	356.43%	370.90%	382.61%	336.64%	310.16%	319.03%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.67%	54.32%	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%	54.49%

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

**Fox Chapel Area School District
Required Supplementary Information
Schedule of School District's Contributions
PSERS OPEB Plan
Last Five Years**

	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Contractually Required Contribution	\$ 385,856	\$ 381,188	\$ 397,240	\$ 385,609	\$ 381,570
Contributions in Relation to the Contractually Required Contribution	<u>385,856</u>	<u>381,188</u>	<u>397,240</u>	<u>385,609</u>	<u>381,570</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll	\$47,883,936	\$46,156,891	\$47,449,816	\$46,855,076	\$ 45,805,695
Contributions as a Percentage of Covered Payroll	0.81%	0.83%	0.84%	0.82%	0.83%

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

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

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
School District's Proportion of the Net OPEB Liability (Asset)	0.3256%	0.3381%	0.3397%	0.3401%	0.0030%
School District's Proportionate Share of the Net OPEB Liability (Asset)	\$ 7,717	\$ 7,305	\$ 7,225	\$ 7,091	\$ 6,133
School District's Covered Payroll	\$ 46,157	\$ 47,450	\$ 46,855	\$ 45,806	\$ 40,081
School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	16.72%	15.40%	15.42%	15.48%	15.30%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	5.30%	5.69%	5.56%	5.56%	5.73%

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

SINGLE AUDIT SECTION

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Members of the Board
Fox Chapel Area School District
Pittsburgh, Pennsylvania

Dear Members:

The reports contained in this single audit section are required in addition to the financial statements. The various reports for Fox Chapel Area School District for the period ended June 30, 2022 were prepared to fulfill the requirements of the Government Auditing Standards and the Uniform Grant Guidance. A summary of the reports is as follows:

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

Respectfully submitted,

Hosack, Specht, Muetzel & Wood LLP

HOSACK, SPECHT, MUETZEL & WOOD LLP
Pittsburgh, Pennsylvania
January 3, 2023

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EXHIBIT A

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

Members of the Board
Fox Chapel Area School District
Pittsburgh, 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 Fox Chapel Area School District as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Fox Chapel Area School District's basic financial statements, and have issued our report thereon dated January 3, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fox Chapel Area School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fox Chapel Area School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Fox Chapel Area 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

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
January 3, 2023

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EXHIBIT B

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

Members of the Board
Fox Chapel Area School District
Pittsburgh, Pennsylvania

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Fox Chapel Area School District's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Fox Chapel Area School District's major federal programs for the year ended June 30, 2022. Fox Chapel Area School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. In our opinion, Fox Chapel Area School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Fox Chapel Area School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Fox Chapel Area School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Fox Chapel Area School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

Hosack, Specht, Muetzel & Wood LLP

HOSACK, SPECHT, MUETZEL & WOOD LLP
Pittsburgh, Pennsylvania
January 3, 2023

**Fox Chapel Area School District
Schedule of Findings and Questioned Costs
June 30, 2022**

EXHIBIT C

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report was unmodified.

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? _____ yes ✓ no

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.425	Education Stabilization Fund
32.009	Emergency Connectivity Fund Program
84.027; 84.173	Special Education Cluster

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

Auditee qualified as low-risk auditee? ✓ yes _____ no

**Fox Chapel Area School District
Schedule of Findings and Questioned Costs
June 30, 2022**

EXHIBIT C

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were noted.

Section IV – Status of Prior Year’s Findings

No prior year’s findings.

**Fox Chapel Area School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022**

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 07/01/21	Revenue Recognized	Expendi- tures	Accrued or (Deferred) Revenue 06/30/22
U.S. Department of Education										
Passed through the Pennsylvania										
Department of Education										
Title I Improving Basic Programs	I	84.010	013-210154	08/28/20-09/30/21	\$ 419,471	\$ 119,610	\$ 119,610	\$ -	\$ -	\$ -
Title I Improving Basic Programs	I	84.010	013-220154	07/07/21-09/30/22	415,101	332,088	-	415,101	415,101	83,013
						451,698	119,610	415,101	415,101	83,013
Title II Improving Teacher Quality	I	84.367	020-210154	08/28/20-09/30/21	92,255	33,169	33,169	-	-	-
Title II Improving Teacher Quality	I	84.367	020-220154	07/07/21-09/30/22	86,078	87,295	-	86,078	86,078	(1,217)
						120,464	33,169	86,078	86,078	(1,217)
Title IV Student Sup. and Acad. Enrichment	I	84.424	144-210154	08/28/20-09/30/21	32,181	22,986	22,986	-	-	-
Title IV Student Sup. and Acad. Enrichment	I	84.424	144-200154	07/01/19-09/30/20	32,162	4,288	4,288	-	-	-
Title IV Student Sup. and Acad. Enrichment	I	84.424	144-220154	07/07/21-09/30/22	31,545	31,527	-	31,545	31,545	18
						58,801	27,274	31,545	31,545	18
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER)	I	84.425D	200-200154	03/13/20-09/30/21	348,519	-	(42,077)	42,077	42,077	-
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II)	I	84.425D	200-210154	03/13/20-09/30/23	1,548,975	1,080,680	182,908	1,290,478	1,290,478	392,706
COVID-19 Elementary and Secondary School Emergency Relief Fund (ARP ESSER)	I	84.425U	223-210154	03/13/20-09/30/24	3,133,129	170,898	-	362,127	362,127	191,229
COVID-19 Elementary and Secondary School Emergency Relief Fund (ARP ESSERS 7%)	I	84.425U	225-210154	03/13/20-09/30/24	243,515	13,284	-	63,045	63,045	49,761
COVID-19 SECIM	I	84.425C	252-200154	03/13/20-09/30/22	40,828	30,084	(10,744)	40,828	40,828	-
						1,294,946	130,087	1,798,555	1,798,555	633,696
Passed through the Pennsylvania										
Commission on Crime and Delinquency										
COVID-19 Safety and Security Grant	I	84.425D	2020-ES-01-35449	3/13/20-09/30/22	116,112	64,085	24,789	90,961	90,961	51,665
						1,359,031	154,876	1,889,516	1,889,516	685,361

**Fox Chapel Area School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022**

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 07/01/21	Revenue Recognized	Expendi- tures	Accrued or (Deferred) Revenue 06/30/22
Special Education Cluster										
Passed through the Lancaster-Lebanon IU IDEA B	I	84.027	062-210033	07/01/20-09/30/21	8,000	3,073	926	2,147	2,147	-
Passed through the Allegheny Intermediate Unit IDEA B	I	84.027	062-210003	07/01/20-09/30/21	531,973	286,030	286,030	-	-	-
IDEA B	I	84.027	062-220003	07/01/21-09/30/22	638,517	150,161	-	519,113	519,113	368,952
IDEA B Section 619	I	84.173	131-210003	07/01/21-06/30/22	5,340	5,340	-	5,340	5,340	-
Subtotal Special Education Cluster						444,604	286,956	526,600	526,600	368,952
Subtotal U.S. Department of Education						2,434,598	621,885	2,948,840	2,948,840	1,136,127
Federal Communications Commission COVID-19 Emergency Connectivity Fund	D	32.009	N/A	07/01/21-06/30/22	1,254,801	-	-	1,254,801	1,254,801	1,254,801
U.S. Department of Health and Human Services										
Passed through the Pennsylvania Department of Public Welfare Medical Assistance Reimb. for Adm. Title 19	I	93.778	N/A	07/01/21-06/30/22	N/A	10,434	6,448	9,144	9,144	5,158
U.S. Department of Agriculture										
Passed through the Pennsylvania Department of Education P-EBT Administrative Costs Grant	I	10.649	N/A	07/01/21-06/30/22	N/A	3,063	-	3,063	3,063	-
National School Lunch Program	I	10.555	N/A	07/01/21-06/30/22	N/A	1,854,151	149,709	1,943,763	1,943,763	239,321
National School Breakfast Program	I	10.553	N/A	07/01/21-06/30/22	N/A	270,964	26,597	286,086	286,086	41,719
Fresh Fruit and Vegetable Program	I	10.582	N/A	07/01/21-06/30/22	N/A	5,872	140	9,107	9,107	3,375
Passed through the Pennsylvania Department of Agriculture National School Lunch Program (Donated Commodities Non Cash Assistance)	I	10.555	N/A	07/01/21-06/30/22	N/A	121,979	(20,586)	129,681	129,681	(12,884)
Total Child Nutrition Cluster						2,252,966	155,860	2,368,637	2,368,637	271,531
Total U.S. Department of Agriculture						2,256,029	155,860	2,371,700	2,371,700	271,531
Total Federal Financial Assistance						\$4,701,061	\$ 784,193	\$6,584,485	\$6,584,485	\$2,667,617

See Accompanying Notes to Schedule of Expenditures of Federal Awards

**Fox Chapel Area School District
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022**

EXHIBIT D

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Fox Chapel Area School District under programs of the federal government for the year ended June 30, 2022. 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 Fox Chapel Area School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of Fox Chapel Area School District.

Note B - Summary of Significant Accounting Policies

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

Note C - Source Code

The Source Code (I) indicates funds received indirectly.

The Source Code (D) indicates funds received directly.

Note D - Reconciliation with Subsidy Confirmation

Amounts Received Per Schedule	\$ 4,701,061
Less: Commodities Received	(121,979)
Less: Passed Through AIU	(441,531)
Less: Title 19	(10,434)
Add: Medical Assistance - Access	200,000
Less: Passed Through PCCD	(64,085)
Less: Passed Through Lancaster IU	(3,073)
Add: State Funding on Confirmation	<u>60,136</u>
 Per Subsidy Confirmation	 <u>\$ 4,320,095</u>

Note E - Subrecipients

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

**Fox Chapel Area School District
List of Report Distribution
June 30, 2022**

EXHIBIT E

1 Copy – Bureau of Audits

1 Copy – Bureau of the Census