

**Fox Chapel Area School District  
Financial Statements  
June 30, 2018**

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**Fox Chapel Area School District  
Table of Contents**

	Exhibit	Page No.
FINANCIAL SECTION		
Independent Auditor's Report		1 - 3
Management's Discussion and Analysis		4 - 16
Basic Financial Statements		
Government-Wide Financial Statements		
Statement of Net Position	1	17
Statement of Activities	2	18
Fund Financial Statements		
Balance Sheet - Governmental Funds	3	19
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	4	20 - 21
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	5	22
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	6	23 - 24
Statement of Net Position - Proprietary Funds	7	25
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	8	26
Statement of Cash Flows - Proprietary Fund Types	9	27 - 28
Statement of Net Position - Fiduciary Funds	10	29
Notes to Financial Statements		30 - 61
Required Supplementary Information		
Schedule of Revenues, Expenditures and Changes in Fund Balance General Fund - Budget and Actual		62 - 69

**Fox Chapel Area School District  
Table of Contents**

	Exhibit	Page No.
FINANCIAL SECTION (CONT'D)		
Required Supplementary Information (Cont'd)		
Note to the Required Supplementary Information		70
Schedule of Changes in the Total OPEB Liability and Related Ratios		71
Schedule of School District's Contributions - PSERS		72
Schedule of School District's Proportionate Share of the Net Pension Liability - PSERS		73
SINGLE AUDIT SECTION		
Letter of Transmittal		74
Independent Auditor's Report on Internal Control Over Financial Reporting Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	A	75 - 76
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	B	77 - 79
Schedule of Findings and Questioned Costs	C	80 - 81
Schedule of Expenditures of Federal Awards	D	82 - 83
List of Report Distribution	E	84

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**Independent Auditor's Report**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fox Chapel Area School District, as of and for the year ended June 30, 2018, 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.

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

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

***Auditor's Responsibility***

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

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



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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fox Chapel Area School District, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

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

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

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

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

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2018, 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 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*

HOSACK, SPECHT, MUETZEL & WOOD LLP  
Pittsburgh, Pennsylvania  
December 28, 2018

**Fox Chapel Area School District**  
**Management's Discussion and Analysis**  
**June 30, 2018**

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, 2018. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

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

### **Financial Highlights**

The School District's major challenges are personnel costs that include wages, retirement contributions and medical group insurance costs. The employer contribution rate for the Pennsylvania School Employees' Retirement System (PSERS) continues to rise to historical highs and was 32.54% in 2017/2018. The total contributions paid were \$14,811,417 in 2017/2018, an increase of 12.6% from the prior year. The School District showed a decrease to the fund balance from operations in 2017/2018 by approximately \$138,000. The millage rate in the final budget was 19.3429 mills, which was a 1.9% increase from the prior year. The School District completed the fiscal year 2017/2018 with negative net position due to the requirement to report pension liabilities on the balance sheet. The net pension liability of the School District decreased by \$32,634,996 to \$146,711,350 and created a negative net position of \$(84,491,453) at the end of fiscal year 2018. The School District continues to slightly exceed anticipated revenue budget. In 2017/2018, the actual revenue variance from budget was \$880,492, or 0.92% of actual revenue received. In addition, actual expenditures for the fiscal year were over anticipated costs by \$79,317, or 0.08%. Both these factors have allowed the School District to increase its financial stability and plan for future increased costs for PSERS contributions and capital projects, as well as account for the minimal increases to state and federal funding.

The School District's business-type activity, which is comprised of the food service fund, showed a decrease in net position of \$(125,770). This is a result of a decrease in net pension liability of \$183,004.

### **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.

**Fox Chapel Area School District  
Management's Discussion and Analysis  
June 30, 2018**

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

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

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

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

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

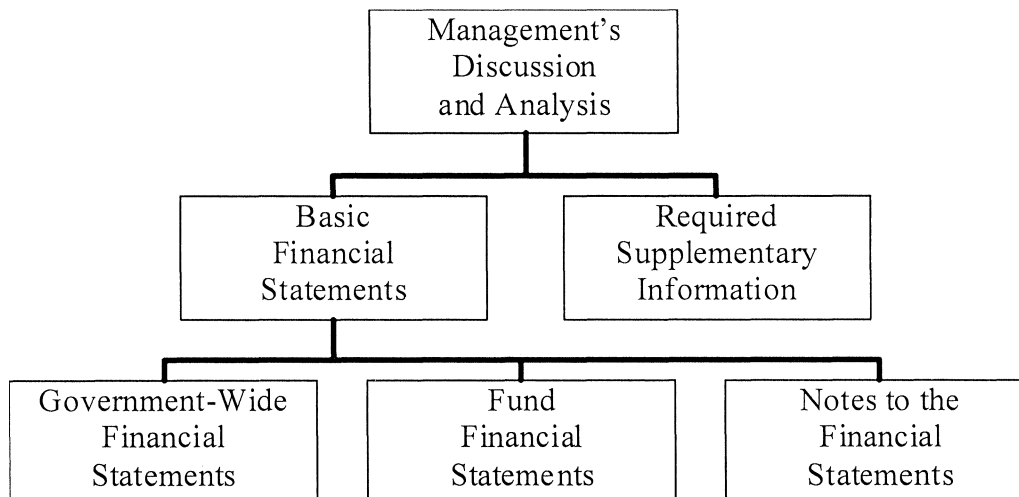


Figure A-2 summarizes the major features of the School District's financial statements, including the portion of the School District they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents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

**Fox Chapel Area School District  
Management's Discussion and Analysis  
June 30, 2018**

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

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 some- one else's resources
Required financial state- ments	Statement of net position; statement of activities	Balance sheet; statement of revenues, expendi- tures, and changes in fund balance	Statement of net position; statement of revenues, expenses and changes in net position; statement of cash flows	Statement of net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources Focus
Type of asset/liability information	All assets and liabilities, both financial and capi- tal, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capi- tal, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of in-flow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and pay- ment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

**Overview of Financial Statements**

**Government-Wide Statements**

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

**Fox Chapel Area School District  
Management's Discussion and Analysis  
June 30, 2018**

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

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

The two government-wide statements report the School District's net position and how they have changed. Net position, the difference between the School District's assets and liabilities, is 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.

*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

**Fox Chapel Area School District  
Management's Discussion and Analysis  
June 30, 2018**

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

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

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. 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 \$(85,984,818) at June 30, 2018 and a deficit \$(75,056,429) at June 30, 2017.

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

	2018			2017		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Current and Other Assets	\$ 72,150,714	\$ 804,010	\$ 72,954,724	\$ 85,697,385	\$ 481,380	\$ 86,178,765
Capital Assets	<u>92,144,780</u>	<u>28,539</u>	<u>92,173,319</u>	<u>83,457,076</u>	<u>37,360</u>	<u>83,494,436</u>
Total Assets	<u>164,295,494</u>	<u>832,549</u>	<u>165,128,043</u>	<u>169,154,461</u>	<u>518,740</u>	<u>169,673,201</u>
Deferred Outflows of Resources	<u>35,717,402</u>	<u>437,763</u>	<u>36,155,165</u>	<u>44,045,413</u>	<u>541,076</u>	<u>44,586,489</u>
Current and Other Liabilities	14,123,858	493,875	14,617,733	12,801,013	274,777	13,075,790
Noncurrent Liabilities						
Due Within One Year	2,687,091	-	2,687,091	2,545,389	-	2,545,389
Due in More Than One Year	<u>243,426,552</u>	<u>1,947,650</u>	<u>245,374,202</u>	<u>269,692,147</u>	<u>2,130,654</u>	<u>271,822,801</u>
Total Liabilities	<u>260,237,501</u>	<u>2,441,525</u>	<u>262,679,026</u>	<u>285,038,549</u>	<u>2,405,431</u>	<u>287,443,980</u>
Deferred Inflows of Resources	<u>24,266,848</u>	<u>322,152</u>	<u>24,589,000</u>	<u>1,850,159</u>	<u>21,980</u>	<u>1,872,139</u>



**Fox Chapel Area School District  
Management's Discussion and Analysis  
June 30, 2018**

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

Table A-1 (Cont'd)  
Years Ended June 30, 2018 and 2017  
Net Position

	2018			2017		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Net Position						
Net Investment in Capital Assets	\$ 34,598,512	\$ 28,539	\$ 34,627,051	\$ 37,540,960	\$ 37,360	\$ 37,578,320
Restricted	-	-	-	1,233,558	-	1,233,558
Unrestricted	<u>(119,089,965)</u>	<u>(1,521,904)</u>	<u>(120,611,869)</u>	<u>(112,463,352)</u>	<u>(1,404,955)</u>	<u>(113,868,307)</u>
Total Net Position	<u>\$ (84,491,453)</u>	<u>\$ (1,493,365)</u>	<u>\$ (85,984,818)</u>	<u>\$ (73,688,834)</u>	<u>\$ (1,367,595)</u>	<u>\$ (75,056,429)</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.

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

	2018			2017		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Revenues						
Program Revenues						
Charges for Services	\$ -	\$ 909,689	\$ 909,689	\$ -	\$ 864,867	\$ 864,867
Operating Grants and Contribs.	15,250,333	651,614	15,901,947	14,741,058	675,236	15,416,294
Capital Grants and Contribs.	524,283	-	524,283	1,359,390	-	1,359,390
General Revenues						
Property Taxes	64,741,097	-	64,741,097	63,043,205	-	63,043,205
Other Taxes	9,233,505	-	9,233,505	9,158,552	-	9,158,552



**Fox Chapel Area School District  
Management's Discussion and Analysis  
June 30, 2018**

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

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

	2018			2017		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Revenues (Cont'd)						
General Revenues (Cont'd)						
Grants, Subs. and Contribs. not Restricted	\$ 5,285,708	\$ -	\$ 5,285,708	\$ 5,129,326	\$ -	\$ 5,129,326
Other	<u>964,050</u>	<u>5,256</u>	<u>969,306</u>	<u>483,512</u>	<u>1,120</u>	<u>484,632</u>
Total Revenues	<u>95,998,976</u>	<u>1,566,559</u>	<u>97,565,535</u>	<u>93,915,043</u>	<u>1,541,223</u>	<u>95,456,266</u>
Expenses						
Instruction	66,338,888	-	66,338,888	69,441,895	-	69,441,895
Instructional Student Support	10,168,997	-	10,168,997	10,030,917	-	10,030,917
Admin. and Financial Support Svcs.	9,808,954	-	9,808,954	9,879,135	-	9,879,135
Operation and Maintenance of Plant Services	7,521,866	-	7,521,866	8,726,508	-	8,726,508
Pupil Transportation	4,162,537	-	4,162,537	4,130,614	-	4,130,614
Student Activities	2,803,879	-	2,803,879	2,872,666	-	2,872,666
Scholarships and Awards	8,000	-	8,000	-	-	-
Community Services	165,693	-	165,693	144,070	-	144,070
Interest on Long-Term Debt	2,829,360	-	2,829,360	1,687,748	-	1,687,748
Food Service	<u>-</u>	<u>1,692,329</u>	<u>1,692,329</u>	<u>-</u>	<u>1,761,209</u>	<u>1,761,209</u>
Total Expenses	<u>103,808,174</u>	<u>1,692,329</u>	<u>105,500,503</u>	<u>106,913,553</u>	<u>1,761,209</u>	<u>108,674,762</u>
Increase (Decrease) in Net Position	(7,809,198)	(125,770)	(7,934,968)	(12,998,510)	(219,986)	(13,218,496)
Beginning Net Position (Restated - See Note 2)	<u>(76,682,255)</u>	<u>(1,367,595)</u>	<u>(78,049,850)</u>	<u>(60,690,324)</u>	<u>(1,147,609)</u>	<u>(61,837,933)</u>
Ending Net Position	<u>\$(84,491,453)</u>	<u>\$(1,493,365)</u>	<u>\$(85,984,818)</u>	<u>\$(73,688,834)</u>	<u>\$(1,367,595)</u>	<u>\$(75,056,429)</u>

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

Table A-3 shows the School District's largest functions - instructional programs, instructional student support, administrative, operation and maintenance of plant, pupil transportation, student activities, community services, scholarships and awards 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.

**Fox Chapel Area School District  
Management's Discussion and Analysis  
June 30, 2018**

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

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

Functions/Programs	2018		2017	
	Total Cost (Expense) of Services	Net Cost (Expense) of Services	Total Cost (Expense) of Services	Net Cost (Expense) of Services
Instruction	\$ 66,338,888	\$55,295,882	\$ 69,441,895	\$58,545,693
Instructional Student Support	10,168,997	8,825,991	10,030,917	8,820,814
Administrative and Financial Support Svcs.	9,808,954	9,149,080	9,879,135	9,266,849
Operation and Maintenance of Plant Svcs.	7,521,866	6,998,906	8,726,508	8,263,716
Pupil Transportation	4,162,537	2,784,518	4,130,614	2,850,868
Student Activities	2,803,879	2,501,776	2,872,666	2,603,026
Community Services	165,693	164,328	144,070	133,781
Scholarships and Awards	8,000	8,000	-	-
Interest on Long-Term Debt	<u>2,829,360</u>	<u>2,305,077</u>	<u>1,687,748</u>	<u>328,358</u>
Total Governmental Activities	<u>\$103,808,174</u>	88,033,558	<u>\$106,913,553</u>	90,813,105
Less:				
Unrestricted Grants, Subsidies		<u>(5,285,708)</u>		<u>(5,129,326)</u>
Total Needs from Local Taxes and Other Revenues		<u>\$82,747,850</u>		<u>\$85,683,779</u>

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

**Fox Chapel Area School District  
Management's Discussion and Analysis  
June 30, 2018**

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

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

	2018		2017	
Functions/Programs	Total Cost (Expense) of Services	Net Cost (Expense) of Services	Total Cost (Expense) of Services	Net Cost (Expense) of Services
Food Service	<u>\$1,692,329</u>	\$131,026	<u>\$1,761,209</u>	\$221,106
Add (Less):				
Investment Earnings		<u>(5,256)</u>		<u>(1,120)</u>
Total Business-Type Activities		<u>\$125,770</u>		<u>\$219,986</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, 2018, the School District's general fund reported a fund balance of \$26,169,847, which is a decrease of \$138,085. The budget for 2017/2018 anticipated a decrease in fund balance in the general fund by \$1,098,894. This difference was the result of higher than anticipated Act 511 tax collections, increased collection of past due federal ACCESS funds, additional delinquent real estate tax collections due to increased diligence by the School District to collect past due amounts, as well as the increased local revenue collected as a result of the new professional development programs being offered to other school districts.

**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, 2018, 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.

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

**Fox Chapel Area School District  
Management's Discussion and Analysis  
June 30, 2018**

**School District Funds (Cont'd)**

**General Fund Budget (Cont'd)**

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 2017/2018, funds from athletic ticket sales of \$20,600 were transferred into the capital projects fund for future capital athletic improvements and enhancements as authorized by the Board of Directors. In addition to this transfer, the assigned fund balance for capital projects was \$5,068,121 as of June 30, 2018.

**Capital Assets and Debt Administration**

**Capital Assets**

At June 30, 2018, the School District governmental funds had \$92,144,780 invested in a broad range of capital assets, including land, land improvements, buildings, furniture and equipment. This amount represents a net increase (including additions, deletions and depreciation) of \$8,687,704, or 9.43% from last year.

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

	2018	2017
Land	\$ 2,413,944	\$ 2,413,944
Land Improvements	1,402,353	1,706,324
Buildings and Building Improvements	66,706,977	69,847,627
Furniture and Equipment	2,249,596	2,603,908
Construction in Progress	19,371,910	6,885,273

**Debt Administration**

As of July 1, 2017, the School District had total outstanding bond and note principal of \$73,167,944. The total outstanding bond and note principal as of June 30, 2018 is \$71,408,682.

**Fox Chapel Area School District  
Management's Discussion and Analysis  
June 30, 2018**

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

Debt Administration (Cont'd)

Table A-6  
Outstanding Debt

General - Obligation Bonds/Notes	As of 06/30/18	As of 06/30/17
Bonds - Capital Projects Series of 2013	\$40,335,000	\$41,955,000
Bonds - Series of 2017	29,075,000	29,075,000
Notes - Series of 2008/2016	1,998,682	2,137,944

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

**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**

The School District expects reduced student enrollment over the next ten years. Projected enrollment for 2018/2019 was 3,981, with 1,770 at the elementary. Projected enrollment at the middle school, grades six through eight, was 892 which is an 11.33% drop from 10 years prior in 2008/2009 where middle school enrollment was 1,006. After peaking at 1,645 in 2005/2006, high school enrollments continue to decrease through 2018/2019 with enrollment currently projected at 1,319.

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, 2020, professional staff through June 30, 2023 and with the educational support staff through June 30, 2019. The School District anticipates a reduction in professional staff due to an early retirement incentive that was offered. Approximately 30 professional employees are slated to retire by June 30, 2020, with the plan that a percentage will either not be replaced, replaced by attrition or will be able to be replaced at a cost savings due to the new employee starting at a lower step of the salary schedule.

**Fox Chapel Area School District  
Management's Discussion and Analysis  
June 30, 2018**

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

The budget for the 2018/2019 year is \$1,413,819 more than the original budget for 2017/2018. This represents a 1.45% increase in budgeted expenditures. The School District is anticipating having to draw down \$1,491,314 from its fund balance to balance the 2018/2019 budget. This includes a specific drawdown of \$500,000 from the PSERS committed fund balance and \$655,000 from the capital projects assigned fund balance. The largest factors in the increasing costs for the School District are the increased rate of contributions to PSERS and group insurance rates, new equipment purchases for the new Kerr Elementary School and the repayment process beginning for the 2017 bond issue.

At June 30, 2018, the unassigned fund balance was \$3,875,018, or 3.99% of actual expenditures.

The comparison of revenue and expenditure categories is as follows:

Table A-7		
Revenues		
	2018/2017	2017/2016
Local	78.46%	77.75%
State	19.47%	19.52%
Federal/Other	2.07%	2.73%

Expenditures		
	2018/2017	2017/2016
Instruction	61.87%	60.34%
Support Services	30.78%	31.80%
Noninstructional	2.77%	2.73%
Other	0.15%	0.17%
Fund Transfers/Debt	4.43%	4.96%

**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.

**Fox Chapel Area School District  
Management's Discussion and Analysis  
June 30, 2018**

**Special Session Act 1 - The Taxpayer Relief Act (Cont'd)**

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.

**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, 2018**

**Exhibit 1**

	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 38,987,623	\$ 676,911	\$ 39,664,534
Investments	20,771,635	-	20,771,635
Taxes Receivable, Net	4,790,474	-	4,790,474
Due from Other Governments	4,439,344	70,959	4,510,303
Other Receivables	92,363	21,364	113,727
Inventories	-	34,776	34,776
Prepaid Items	1,481,117	-	1,481,117
Long-Term Prepayments (Net of Amortization)	1,588,158	-	1,588,158
Capital Assets not Being Depreciated			
Land	2,413,944	-	2,413,944
Construction in Progress	19,371,910	-	19,371,910
Capital Assets, Net of Accumulated Depreciation			
Land Improvements	1,402,353	-	1,402,353
Building and Building Improvements	66,706,977	-	66,706,977
Furniture and Equipment	<u>2,249,596</u>	<u>28,539</u>	<u>2,278,135</u>
<b>TOTAL ASSETS</b>	<u>164,295,494</u>	<u>832,549</u>	<u>165,128,043</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Amounts Related to Pensions	34,919,217	437,763	35,356,980
Amounts Related to OPEB	<u>798,185</u>	<u>-</u>	<u>798,185</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>35,717,402</u>	<u>437,763</u>	<u>36,155,165</u>
<b>LIABILITIES</b>			
Internal Balances	(429,074)	429,074	-
Accounts Payable	1,625,178	1,884	1,627,062
Contracts Payable	899,532	-	899,532
Accrued Salaries and Benefits	10,498,985	-	10,498,985
Payroll Deductions and Withholdings	117,495	-	117,495
Unearned Revenues	1,747	15,723	17,470
Other Current Liabilities	1,409,995	47,194	1,457,189
Noncurrent Liabilities			
Due Within One Year	2,687,091	-	2,687,091
Due in More Than One Year			
Notes Payable	1,854,752	-	1,854,752
Capital Leases Payable	579,558	-	579,558
Compensated Absences	4,211,973	-	4,211,973
Bonds Payable	77,765,159	-	77,765,159
Other Post-Employment Benefits	12,303,760	-	12,303,760
Net Pension Liability	<u>146,711,350</u>	<u>1,947,650</u>	<u>148,659,000</u>
<b>TOTAL LIABILITIES</b>	<u>260,237,501</u>	<u>2,441,525</u>	<u>262,679,026</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Amounts Related to Pensions	<u>24,266,848</u>	<u>322,152</u>	<u>24,589,000</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	34,598,512	28,539	34,627,051
Unrestricted	<u>(119,089,965)</u>	<u>(1,521,904)</u>	<u>(120,611,869)</u>
<b>TOTAL NET POSITION</b>	<u>\$ (84,491,453)</u>	<u>\$ (1,493,365)</u>	<u>\$ (85,984,818)</u>

See Accompanying Notes



**Fox Chapel Area School District**  
**Statement of Activities**  
**Year Ended June 30, 2018**

**Exhibit 2**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Totals
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Govern- mental Activities	Business- Type Activities	
Governmental Activities							
Instruction	\$ 66,338,888	\$ -	\$11,043,006	\$ -	\$(55,295,882)	\$ -	\$(55,295,882)
Instructional Student Support	10,168,997	-	1,343,006	-	(8,825,991)	-	(8,825,991)
Administrative and Financial Support Services	9,808,954	-	659,874	-	(9,149,080)	-	(9,149,080)
Operation and Maintenance of Plant Services	7,521,866	-	522,960	-	(6,998,906)	-	(6,998,906)
Pupil Transportation	4,162,537	-	1,378,019	-	(2,784,518)	-	(2,784,518)
Student Activities	2,803,879	-	302,103	-	(2,501,776)	-	(2,501,776)
Community Services	165,693	-	1,365	-	(164,328)	-	(164,328)
Scholarships and Awards	8,000	-	-	-	(8,000)	-	(8,000)
Interest on Long-Term Debt	<u>2,829,360</u>	-	-	<u>524,283</u>	<u>(2,305,077)</u>	-	<u>(2,305,077)</u>
Total Governmental Activities	<u>103,808,174</u>	-	<u>13,250,333</u>	<u>524,283</u>	<u>(88,033,558)</u>	-	<u>(88,033,558)</u>
Business-Type Activities							
Food Service	<u>1,692,329</u>	<u>909,689</u>	<u>651,614</u>	-	-	<u>(131,026)</u>	<u>(131,026)</u>
Total Primary Government	<u>\$105,500,503</u>	<u>\$909,689</u>	<u>\$15,901,947</u>	<u>\$524,283</u>	<u>(88,033,558)</u>	<u>(131,026)</u>	<u>(88,164,584)</u>
General Revenues							
Taxes							
Property Taxes Levied for General Purposes, Net					64,741,097	-	64,741,097
Earned Income Taxes					8,060,853	-	8,060,853
Real Estate Transfer Taxes					975,825	-	975,825
Other Taxes Levied for General Purposes, Net					196,827	-	196,827
Grants, Subsidies and Contributions not Restricted					5,285,708	-	5,285,708
Investment Earnings					768,598	5,256	773,854
Miscellaneous Income					<u>195,452</u>	-	<u>195,452</u>
Total General Revenues					<u>80,224,360</u>	<u>5,256</u>	<u>80,229,616</u>
Changes in Net Position					(7,809,198)	(125,770)	(7,934,968)
Net Position - July 1, 2017 (Restated - See Note 2)					<u>(76,682,255)</u>	<u>(1,367,595)</u>	<u>(78,049,850)</u>
Net Position - June 30, 2018					<u>\$(84,491,453)</u>	<u>\$(1,493,365)</u>	<u>\$(85,984,818)</u>

See Accompanying Notes

**Fox Chapel Area School District  
Balance Sheet  
Governmental Funds  
June 30, 2018**

**Exhibit 3**

	General Fund	Capital Projects Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$14,898,287	\$24,089,336	\$38,987,623
Investments	15,771,635	5,000,000	20,771,635
Taxes Receivable, Net	4,790,474	-	4,790,474
Due from Other Funds	434,519	-	434,519
Due from Other Governments	4,439,344	-	4,439,344
Other Receivables	65,049	24,714	89,763
Prepaid Items	<u>1,481,117</u>	<u>-</u>	<u>1,481,117</u>
<b>TOTAL ASSETS</b>	<b><u>\$41,880,425</u></b>	<b><u>\$29,114,050</u></b>	<b><u>\$70,994,475</u></b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities			
Due to Other Funds	\$ -	\$ 5,445	\$ 5,445
Accounts Payable	1,556,987	68,191	1,625,178
Contracts Payable	-	561,429	561,429
Retainage Payable	-	338,103	338,103
Accrued Salaries and Benefits	10,498,985	-	10,498,985
Payroll Deductions and Withholdings	117,495	-	117,495
Unearned Revenues	<u>1,747</u>	<u>-</u>	<u>1,747</u>
Total Liabilities	<u>12,175,214</u>	<u>973,168</u>	<u>13,148,382</u>
Deferred Inflows of Resources			
Unavailable Revenues - Property Taxes	<u>3,535,364</u>	<u>-</u>	<u>3,535,364</u>
Fund Balances			
Nonspendable	1,481,117	-	1,481,117
Restricted	-	23,072,761	23,072,761
Committed	9,542,034	-	9,542,034
Assigned	11,271,675	5,068,121	16,339,796
Unassigned	<u>3,875,021</u>	<u>-</u>	<u>3,875,021</u>
Total Fund Balances	<u>26,169,847</u>	<u>28,140,882</u>	<u>54,310,729</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b><u>\$41,880,425</u></b>	<b><u>\$29,114,050</u></b>	<b><u>\$70,994,475</u></b>

See Accompanying Notes

**Fox Chapel Area School District  
Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Position  
June 30, 2018**

**Exhibit 4**

Total Fund Balances - Governmental Funds	\$ 54,310,729
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$161,363,553, and the accumulated depreciation is \$69,218,773.	92,144,780
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Property taxes receivable will be collected next year but are not available soon enough to pay for the current period's expenditures and therefore, are deferred inflows in the funds.	3,535,364
--	-----------

Deferred charges and bond premium on bonds issued and refunded are capitalized and amortized over the life of the bonds in the statement of net position.	(10,030,159)
---	--------------

The payment to the joint venture career and technical center is capitalized and amortized over the life of the notes payable issued.	1,588,158
--	-----------

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

Bonds Payable	\$(69,410,000)	
Accrued Interest on the Bonds	(1,409,995)	
Capital Leases Payable	(1,178,870)	
Notes Payable	(1,998,682)	
Other Post-Employment Benefits Payable	(12,303,760)	
Compensated Absences	<u>(4,480,822)</u>	(90,782,129)

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

Net Pension Liability	(146,711,350)
-----------------------	---------------

**Fox Chapel Area School District  
Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Position  
June 30, 2018**

**Exhibit 4**

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	\$ 34,919,217	
Deferred Outflows of Resources Related to OPEB	800,785	
Deferred Inflows of Resources Related to Pensions	<u>(24,266,848)</u>	\$ <u>11,453,154</u>
Total Net Position - Governmental Activities		\$ <u>(84,491,453)</u>

See Accompanying Notes

**Fox Chapel Area School District  
Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Governmental Funds  
Year Ended June 30, 2018**

**Exhibit 5**

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues			
Local Sources	\$76,167,782	\$ 256,295	\$ 76,424,077
State Sources	18,901,190	-	18,901,190
Federal Sources	<u>1,054,000</u>	<u>-</u>	<u>1,054,000</u>
Total Revenues	<u>96,122,972</u>	<u>256,295</u>	<u>96,379,267</u>
Expenditures			
Instruction	60,152,608	-	60,152,608
Support Services	29,922,214	145,435	30,067,649
Noninstructional Services	2,690,048	-	2,690,048
Capital Outlay	151,748	12,956,018	13,107,766
Debt Service	4,196,911	931,134	5,128,045
Refunds of Prior Year's Receipts	<u>86,913</u>	<u>-</u>	<u>86,913</u>
Total Expenditures	<u>97,200,442</u>	<u>14,032,587</u>	<u>111,233,029</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,077,470)</u>	<u>(13,776,292)</u>	<u>(14,853,762)</u>
Other Financing Sources (Uses)			
Issuance of Capital Leases	903,846	-	903,846
Transfers In	-	20,600	20,600
Sale/Compensation for Capital Assets	56,139	-	56,139
Transfers Out	<u>(20,600)</u>	<u>-</u>	<u>(20,600)</u>
Total Other Financing Sources (Uses)	<u>939,385</u>	<u>20,600</u>	<u>959,985</u>
Net Changes in Fund Balances	(138,085)	(13,755,692)	(13,893,777)
Fund Balances - July 1, 2017	<u>26,307,932</u>	<u>41,896,574</u>	<u>68,204,506</u>
Fund Balances - June 30, 2018	<u>\$26,169,847</u>	<u>\$ 28,140,882</u>	<u>\$ 54,310,729</u>

See Accompanying Notes

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

Exhibit 6

Total Net Change in Fund Balances - Governmental Funds \$(13,893,777)

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	\$ (4,129,125)	
Capital Outlays	12,825,423	
Net Book Value of Capital Assets Retired	<u>(8,594)</u>	8,687,704

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

(349,517)

Repayment of bonds, notes and capital leases principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

2,374,795

In the statement of activities, certain operating expenses - compensated absences (sick pay and vacation pay) 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	(192,608)	
Other Post-Employment Benefits	<u>(4,540,612)</u>	(4,733,220)

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	(482,223)
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**Fox Chapel Area School District  
Reconciliation of the Governmental Funds  
Statement of Revenues, Expenditures  
and Changes in Fund Balances  
to the Statement of Activities  
Year Ended June 30, 2018**

Exhibit 6

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

Some capital assets acquired this year were financed with capital leases. The amount financed by the leases is reported in the governmental funds as an other financing source. The capital leases are not revenues in the statement of activities, but constitute long-term liabilities in the statement of net position. (903,846)

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

School District Pension Contributions to PSERS	14,425,887	
Cost of Benefits Earned	<u>(13,333,776)</u>	<u>1,092,111</u>

Change in Net Position of Governmental Activities	\$ <u>(7,809,198)</u>
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See Accompanying Notes

**Fox Chapel Area School District**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2018**

**Exhibit 7**

Food  
Service  
Fund

**ASSETS**

Current Assets

Cash and Cash Equivalents	\$ 676,911
Due from Other Governments	70,959
Other Receivables	21,364
Inventories	<u>34,776</u>
Total Current Assets	<u>804,010</u>

Noncurrent Assets

Furniture and Equipment, Net	<u>28,539</u>
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**TOTAL ASSETS**

832,549

**DEFERRED OUTFLOWS OF RESOURCES**

Amounts Related to Pensions	<u>437,763</u>
-----------------------------	----------------

**LIABILITIES**

Current Liabilities

Due to Other Funds	429,074
Accounts Payable	1,884
Unearned Revenues	15,723
Other Current Liabilities	<u>47,194</u>

Total Current Liabilities	<u>493,875</u>
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Noncurrent Liabilities

Net Pension Liability	<u>1,947,650</u>
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**TOTAL LIABILITIES**

2,441,525

**DEFERRED INFLOWS OF RESOURCES**

Amounts Related to Pensions	<u>322,152</u>
-----------------------------	----------------

**NET POSITION**

Net Investment in Capital Assets	28,539
Unrestricted	<u>(1,521,904)</u>

**TOTAL POSITION**

\$(1,493,365)

See Accompanying Notes



**Fox Chapel Area School District**  
**Statement of Revenues, Expenses and Changes**  
**in Net Position**  
**Proprietary Funds**  
**Year Ended June 30, 2018**

**Exhibit 8**

	Food Service Fund
Operating Revenues	
Food Service Revenue	\$ <u>909,689</u>
Operating Expenses	
Salaries	519,589
Employee Benefits	520,750
Purchased Professional and Technical Services	3,371
Purchased Property Services	6,036
Other Purchased Services	1,319
Supplies	624,697
Depreciation	8,821
Dues and Fees	1,494
Other Operating Expenditures	<u>6,252</u>
Total Operating Expenses	<u>1,692,329</u>
Operating Income (Loss)	<u>(782,640)</u>
Nonoperating Revenues (Expenses)	
Earnings on Investments	5,256
State Sources	140,779
Federal Sources	<u>510,835</u>
Total Nonoperating Revenues (Expenses)	<u>656,870</u>
Change in Net Position	(125,770)
Net Position - July 1, 2017	<u>(1,367,595)</u>
Net Position - June 30, 2018	<u><u>\$ (1,493,365)</u></u>

See Accompanying Notes

**Fox Chapel Area School District  
Statement of Cash Flows  
Proprietary Fund Types  
Year Ended June 30, 2018**

**Exhibit 9**

Food  
Service  
Fund

Cash Flows from Operating Activities	
Cash Received from Users	\$ 885,431
Cash Payments to Employees for Services	(819,858)
Cash Payments to Suppliers for Goods and Services	(556,362)
Cash Payments for Other Operating Expenses	<u>(7,746)</u>
Net Cash Used for Operating Activities	<u>(498,535)</u>
Cash Flows from Non-Capital Financing Activities	
State Sources	141,094
Federal Sources	<u>434,808</u>
Net Cash Provided by Non-Capital Financing Activities	<u>575,902</u>
Cash Flows from Investing Activities	
Earnings on Investments	5,256
Loans Received	<u>215,839</u>
Net Cash Provided by Investing Activities	<u>221,095</u>
Net Increase in Cash and Cash Flows	298,462
Cash and Cash Equivalents - July 1, 2017	<u>378,449</u>
Cash and Cash Equivalents - June 30, 2018	<u>\$ 676,911</u>

**Fox Chapel Area School District  
Statement of Cash Flows  
Proprietary Fund Types  
Year Ended June 30, 2018**

**Exhibit 9**

Food  
Service  
Fund

Operating Income (Loss)	\$(782,640)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used for Operating Activities	
Depreciation	8,821
Changes in Pension Expense	220,481
Donated Commodities	79,684
(Increase) Decrease in Accounts Receivable	(21,364)
(Increase) Decrease in Inventories	(53)
Increase (Decrease) in Accounts Payable	(570)
Increase (Decrease) in Other Current Liabilities	<u>(2,894)</u>
Total Adjustments	<u>284,105</u>
Cash Used for Operating Activities	\$(498,535)

Noncash Non-Capital Financing Activities:

During the year ended June 30, 2018, the School District received  
\$86,407 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, 2018**

**Exhibit 10**

Agency  
Fund

**ASSETS**

Cash and Cash Equivalents

\$193,018

**LIABILITIES**

Other Current Liabilities

\$193,018

See Accompanying Notes

**Fox Chapel Area School District**  
**Notes to Financial Statements**  
**June 30, 2018**

**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.

**Fox Chapel Area School District**  
**Notes to Financial Statements**  
**June 30, 2018**

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

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

**1. Governmental Funds**

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

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

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

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the

**Fox Chapel Area School District**  
**Notes to Financial Statements**  
**June 30, 2018**

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

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

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

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

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

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

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

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

**Fox Chapel Area School District**  
**Notes to Financial Statements**  
**June 30, 2018**

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

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

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

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

**D. Joint 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, 2018, was \$472,472 which was paid in the year ended June 30, 2018 to Beattie and reported in the School District's general fund. The School District has no equity interest in Beattie as of June 30, 2018. 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.



**Fox Chapel Area School District**  
**Notes to Financial Statements**  
**June 30, 2018**

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

**F. Investments**

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

**G. Budgets**

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

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

**H. Receivables and Payables**

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

**I. Inventories**

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

**Fox Chapel Area School District**  
**Notes to Financial Statements**  
**June 30, 2018**

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

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

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

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

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:

**Fox Chapel Area School District**  
**Notes to Financial Statements**  
**June 30, 2018**

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

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

Assets	Years
Buildings	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. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The School District has two items that qualify for reporting in this category. 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 plan.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The School District has one item reported in the government-wide statement of net position relating to the cost-sharing defined benefit pension plan. 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. 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.

**M. Long-Term Obligations**

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

**Fox Chapel Area School District**  
**Notes to Financial Statements**  
**June 30, 2018**

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

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

In the fund financial statements, governmental fund types recognize bond 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.

**N. 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.

**O. Defining Operating Revenues and Expenses**

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

**P. Equity Classifications**

**Government-Wide Statements**

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

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

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

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

**Fox Chapel Area School District**  
**Notes to Financial Statements**  
**June 30, 2018**

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

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

**Fund Statements - Fund Balance**

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

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

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

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

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

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

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

The purposes of the nonspendable, restricted, committed and assigned fund balances as of June 30, 2018, are as follows:

**Fox Chapel Area School District**  
**Notes to Financial Statements**  
**June 30, 2018**

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

P. Equity Classifications (Cont'd)

General Fund

1. Nonspendable fund balance of \$1,481,117 is for prepaid items.
2. The committed fund balance of \$9,542,034 is for the following purposes:
  - a. Employer Retirement  
Expenditures future increases \$9,505,782
  - b. Arts Grants 36,252

\$9,542,034
3. The assigned fund balance of \$11,271,675 is for future capital projects and/or improvements in the amount of \$11,217,164 and for athletic activities in the amount of \$54,511.

Capital Projects Fund

The restricted fund balance of \$23,072,761 is from the 2013 and 2017 bond proceeds and is restricted for use on projects those bonds were issued for and the payment of capitalized interest on those bonds.

The assigned fund balance of \$5,068,121 in the capital projects fund is assigned for future capital projects district-wide in the amount of \$4,886,697 and for athletic capital development in the amount of \$181,424.

**Note 2 - Restatement of Beginning Net Position, Governmental Activities**

Fox Chapel Area School District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*, as of July 1, 2017 and applied the statement by restating the beginning net position. Beginning net position of the governmental activities in the government-wide statement was restated as of July 1, 2017. The results of the restatement are summarized below.

**Fox Chapel Area School District**  
**Notes to Financial Statements**  
**June 30, 2018**

**Note 2 - Restatement of Beginning Net Position, Governmental Activities (Cont'd)**

		Governmental Activities
Net Position, July 1, 2017 (Previously Reported)		\$(73,688,834)
This statement requires the liability of employers for defined benefit other post-employment benefit plans to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the OPEB Plan's fiduciary net position.		
	\$(6,962,363)	
Add amount recorded as OPEB liability under previous Standard as of June 30, 2017	<u>3,968,942</u>	<u>(2,993,421)</u>
Restated Net Position July 1, 2017		\$( <u>76,682,255</u> )

**Note 3 - Deposits and Investments**

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

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in an event of a bank failure, the government's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. Deposits in excess of amounts covered by the Federal Deposit Insurance Corporation are collateralized in accordance with Act 72 of 1971 of the Pennsylvania State Legislature which requires the institution to pool collateral for all governments and have the collateral held by an approved custodian in the institution's name. As of June 30, 2018, \$7,975,355 of the School District's bank balance of \$16,473,355 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>7,975,355</u>

**Fox Chapel Area School District**  
**Notes to Financial Statements**  
**June 30, 2018**

**Note 3 - Deposits and Investments (Cont'd)**

**Custodial Credit Risk - Deposits (Cont'd)**

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

Investments	Fair Value
PSDLAF	\$22,027,329
PLGIT	22,204,717
PA Invest	431,534
First American Government Obligation Fund	<u>60,998</u>
Total	<u>\$44,724,578</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, 2018.

**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.



**Fox Chapel Area School District**  
**Notes to Financial Statements**  
**June 30, 2018**

**Note 3 - Deposits and Investments (Cont'd)**

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 the following recurring fair value measurement as of June 30, 2018:

- First American Government Obligation Fund (\$60,998) is valued using significant observable inputs (Level 2 inputs).

**Note 4 - Real Estate Taxes**

The municipal tax collectors bill and collect real estate taxes on behalf of the School District based upon assessed values provided by the County. The School District's tax rate for all purposes in 2017/2018 was 19.3429 mills (\$19.3429 per \$1,000 assessed valuation). The tax calendar for real estate taxes levied for 2017/2018 is as follows:

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

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.

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 \$3,610,563, net of estimated uncollectible accounts, along with other taxes receivable of \$1,179,911.

**Note 5 - Due from Other Governments**

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

**Fox Chapel Area School District**  
**Notes to Financial Statements**  
**June 30, 2018**

**Note 5 - Due from Other Governments (Cont'd)**

	Governmental Funds	Enterprise Fund	Totals
Federal (through the state)	\$ 412,561	\$65,461	\$ 478,022
State	3,792,600	5,498	3,798,098
Local	<u>234,183</u>	<u>-</u>	<u>234,183</u>
	<u>\$4,439,344</u>	<u>\$70,959</u>	<u>\$4,510,303</u>

**Note 6 - Capital Assets**

For the year ended June 30, 2018, capital asset activity was as follows:

	Balance 07/01/17	Additions	Disposals/ Transfers	Balance 06/30/18
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated				
Land	\$ 2,413,944	\$ -	\$ -	\$ 2,413,944
Construction in Progress	<u>6,885,273</u>	<u>12,486,637</u>	<u>-</u>	<u>19,371,910</u>
Total Capital Assets Not Being Depreciated	<u>9,299,217</u>	<u>12,486,637</u>	<u>-</u>	<u>21,785,854</u>
Capital Assets Being Depreciated				
Land Improvements	7,159,033	-	-	7,159,033
Buildings and Building Improvements	124,732,907	-	15,079	124,717,828
Furniture and Equipment	<u>7,405,349</u>	<u>338,786</u>	<u>43,297</u>	<u>7,700,838</u>
Total Capital Assets Being Depreciated	<u>139,297,289</u>	<u>338,786</u>	<u>58,376</u>	<u>139,577,699</u>
Less Accumulated Depreciation				
Land Improvements	5,452,709	303,971	-	5,756,680
Buildings and Building Improvements	54,885,280	3,133,487	7,916	58,010,851
Furniture and Equipment	<u>4,801,441</u>	<u>691,667</u>	<u>41,866</u>	<u>5,451,242</u>
Total Accumulated Depreciation	<u>65,139,430</u>	<u>4,129,125</u>	<u>49,782</u>	<u>69,218,773</u>
Total Capital Assets Being Depreciated, Net	<u>74,157,859</u>	<u>(3,790,339)</u>	<u>8,594</u>	<u>70,358,926</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 83,457,076</u>	<u>\$ 8,696,298</u>	<u>\$ 8,594</u>	<u>\$ 92,144,780</u>

**Fox Chapel Area School District**  
**Notes to Financial Statements**  
**June 30, 2018**

**Note 6 - Capital Assets (Cont'd)**

	Balance 07/01/17	Additions	Disposals/ Transfers	Balance 06/30/18
Business-Type Activities				
Furniture and Equipment	\$ 598,595	\$ -	\$ -	\$ 598,595
Less Accumulated Depreciation	<u>561,235</u>	<u>8,821</u>	<u>-</u>	<u>570,056</u>
Business-Type Capital Assets, Net	<u>\$ 37,360</u>	<u>\$ (8,821)</u>	<u>\$ -</u>	<u>\$ 28,539</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities	
Instruction	\$3,538,839
Instructional Student Support	24,777
Administration and Financial Support Services	227,083
Operation and Maintenance of Plant Services	141,691
Student Activities	<u>196,735</u>
 Total Depreciation Expense	 <u>\$4,129,125</u>
Business-Type Activities	
Food Service	<u>\$ 8,821</u>

**Note 7 - Interfund Balances and Transfers**

Interfund balances at June 30, 2018 were:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$434,519	\$ -
Food Service Fund	-	429,074
Capital Projects Fund	<u>-</u>	<u>5,445</u>
	<u>\$434,519</u>	<u>\$434,519</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.

**Fox Chapel Area School District**  
**Notes to Financial Statements**  
**June 30, 2018**

**Note 7 - Interfund Balances and Transfers (Cont'd)**

For the year ended June 30, 2018, interfund transfers consisted of the following:

<u>Transfer To</u>	<u>Transfer From</u>
	General Fund
Capital Projects Fund	<u>\$20,600</u>

The general fund transferred \$20,600 to the athletic capital projects fund to fund current and future capital projects which represented a portion of athletic events ticket sales dedicated to capital projects.

**Note 8 - Long-Term Debt**

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

	Balance 07/01/17	Additions	Reductions	Balance 06/30/18	Due Within One Year
Governmental Activities					
Bonds Payable					
General Obligation Bonds	\$71,030,000	\$ -	\$1,620,000	\$69,410,000	\$1,675,000
Plus: Bond Premium	<u>10,575,533</u>	<u>-</u>	<u>545,374</u>	<u>10,030,159</u>	<u>-</u>
Total Bonds Payable	<u>81,605,533</u>	<u>-</u>	<u>2,165,374</u>	<u>79,440,159</u>	<u>1,675,000</u>
General Obligation Notes	2,137,944	-	139,262	1,998,682	143,930
Capital Leases	890,557	903,846	615,533	1,178,870	599,312
Compensated Absences	<u>4,288,214</u>	<u>192,608</u>	<u>-</u>	<u>4,480,822</u>	<u>268,849</u>
Governmental Activities					
Long-Term Liabilities	<u>\$88,922,248</u>	<u>\$1,096,454</u>	<u>\$2,920,169</u>	<u>\$87,098,533</u>	<u>\$2,687,091</u>

**General Obligation Bonds**

Capital Projects - \$43,535,000 Issue of 2013;  
due in annual installments through August 1, 2034;  
interest due semi-annually at 0.50% to 5.0%.

\$40,335,000

**Fox Chapel Area School District**  
**Notes to Financial Statements**  
**June 30, 2018**

**Note 8 - Long-Term Debt (Cont'd)**

General Obligation Bonds (Cont'd)

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%. \$29,075,000

\$69,410,000

General Obligation Note

\$2,297,434 Series of 2016; due in annual installments  
through October 15, 2028; interest due semi-annually at  
0.5% to 5.0%. \$ 1,998,682

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, 2018, including interest, are as follows:

Year Ended June 30,	General Obligation				Totals
	Bonds		Notes		
	Principal	Interest	Principal	Interest	
2019	\$ 1,675,000	\$ 3,323,612	\$ 143,930	\$ 71,599	\$ 5,214,141
2020	1,730,000	3,264,010	150,932	64,947	5,209,889
2021	1,800,000	3,193,550	158,712	57,206	5,209,468
2022	1,875,000	3,120,182	166,492	49,076	5,210,750
2023	1,950,000	3,043,805	175,050	40,538	5,209,393
2024-2028	11,305,000	13,669,637	990,394	87,340	26,052,371
2029-2033	14,515,000	10,460,675	213,172	2,398	25,191,245
2034-2038	18,245,000	6,726,412	-	-	24,971,412
2039-2042	<u>16,315,000</u>	<u>1,968,000</u>	<u>-</u>	<u>-</u>	<u>18,283,000</u>
	<u>\$69,410,000</u>	<u>\$48,769,883</u>	<u>\$1,998,682</u>	<u>\$373,104</u>	<u>\$120,551,669</u>

**Note 9 - Capital Leases**

The School District has entered into lease agreements as lessee for financing the acquisition of computer equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. Not all of the assets acquired

**Fox Chapel Area School District**  
**Notes to Financial Statements**  
**June 30, 2018**

**Note 9 - Capital Leases (Cont'd)**

through capital leases met the School District's capitalization policy. The assets acquired through capital leases are as follows:

Asset	Governmental Activities
Furniture and Equipment	\$ 1,446,611
Less: Accumulated Depreciation	<u>(1,446,611)</u>
Total	\$ <u>          -</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2018 were as follows:

Year Ended June 30,	Governmental Activities
2019	\$ 616,661
2020	333,670
2021	<u>250,425</u>
Total Minimum Lease Payments	1,200,756
Less: Amount Representing Interest	<u>(21,886)</u>
Present Value of Minimum Lease Payments	<u>\$1,178,870</u>

**Note 10 - Operating Lease**

The School District entered into operating lease agreements for copiers. Total payments made in the current fiscal year on these leases were \$310,428.

Total future lease payments to be made by the School District under the above leases are as follows:

Year Ended June 30,	
2019	\$310,428
2020	310,428
2021	<u>232,821</u>
	<u>\$853,677</u>

**Fox Chapel Area School District**  
**Notes to Financial Statements**  
**June 30, 2018**

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

**A. Summary of Significant Accounting Policies**

**Pensions**

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

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

**1. Plan Description**

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

**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.

**Fox Chapel Area School District**  
**Notes to Financial Statements**  
**June 30, 2018**

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

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

2. Benefits Provided (Cont'd)

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

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

3. Contributions

Member Contributions

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

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

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

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



**Fox Chapel Area School District**  
**Notes to Financial Statements**  
**June 30, 2018**

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

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

**3. Contributions (Cont'd)**

**Employer Contributions**

The School District's contractually required contribution rate for fiscal year ended June 30, 2018 was 31.74% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School District were \$14,425,887 for the year ended June 30, 2018.

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

At June 30, 2018, the School District reported a liability of \$148,659,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2016 to June 30, 2017. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2018, the School District's proportion was 0.3010%, which was a decrease of 0.0652% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the School District recognized pension expense of \$13,719,962. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,551,000	\$ 899,000
Changes in assumptions	4,038,000	-
Net difference between projected and actual investment earnings	3,445,000	-
Changes in proportions	10,897,000	23,690,000
Difference between employer contributions and proportionate share of total contributions	834,388	-
Contributions subsequent to the measurement date	<u>14,591,592</u>	<u>-</u>
	<u>\$35,356,980</u>	<u>\$24,589,000</u>

**Fox Chapel Area School District**  
**Notes to Financial Statements**  
**June 30, 2018**

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

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

\$14,591,592 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2019	\$ 310,962
2020	2,124,288
2021	(140,360)
Thereafter	<u>(6,118,502)</u>
	<u><u>\$ (3,823,612)</u></u>

**1. Actuarial Assumptions**

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

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

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

**Fox Chapel Area School District**  
**Notes to Financial Statements**  
**June 30, 2018**

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

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

**1. Actuarial Assumptions (Cont'd)**

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

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

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

**2. Discount Rate**

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

**Fox Chapel Area School District**  
**Notes to Financial Statements**  
**June 30, 2018**

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

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

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

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

	(In thousands)		
	1.00% Decrease 6.25%	Current Discount Rate 7.25%	1.00% Increase 8.25%
School District's proportionate share of the net pension liability	\$182,986	\$148,659	\$119,677

4. Pension Plan Fiduciary Net Position

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

**Note 12 - Tax Shelter Annuity**

Under the current Act 93 agreement which is effective for the period July 1, 2016 through June 30, 2021, 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 \$6,000. The total contributed by the School District in the year ended June 30, 2018, was \$83,837.

**Note 13 - Contingent Liabilities**

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

**Fox Chapel Area School District**  
**Notes to Financial Statements**  
**June 30, 2018**

**Note 13 - Contingent Liabilities (Cont'd)**

There are a number of real estate tax assessment appeals pending as of June 30, 2018. The pending matters include appeals filed by the property owner, which could result in a tax refund being owed by the School District.

**Note 14 - 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**

**a. For Secretaries/Aides, Cafeteria workers and Custodial/Maintenance workers**

Post-retirement medical coverage is provided to employees in these groups. However, employees in either of these groups can "retire" at any time and elect to remain in the School District plan provided they pay 100% of the premium rate.

**b. For Teachers, Administrators and Confidential Secretaries**

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.



**Fox Chapel Area School District  
Notes to Financial Statements  
June 30, 2018**

**Note 14 - Other Post-Employment Benefit Plan (Cont'd)**

**B. Funding Policy (Cont'd)**

**1) Medical Benefits (Cont'd)**

**Current Incentive**

The current incentive for teachers is in effect through June 30, 2018. The current incentive for administrators is in effect through June 30, 2021. The current incentive for the confidential secretaries is in effect through June 30, 2019.

The Memorandum of Understanding for each of these incentives states that: The School District will provide to eligible employees with a minimum of 20 years and a maximum of 35 years of service in the PSERS system, a disbursement of \$300 a month for a period of 10 years following the date of retirement or until the PE reaches other government-sponsored insurance eligibility, whichever comes first. In order to maintain retiree medical coverage, a retiree must contribute the difference between the cost of coverage and the \$300 School District allowance. In lieu of retiree medical benefits, retirees are eligible to receive the \$300 disbursement, minus applicable withholding taxes. The disbursement is paid in two equal installments.

Note: Effective beginning July 1, 2018 and ending June 30, 2020, a new incentive will be going into effect for teachers and administrators. The incentive will provide for a post-retirement medical benefit for a period of 10 years or attainment of age 65, whichever occurs first. In order to be eligible for this incentive, a teacher/administrator must have provided written notice of their intent to retire within the designated time frame.

For all tiers other than family, the teacher/administrator will be required to contribute the \$100 monthly PSERS allowance. For family coverage, the teacher/administrator will be required to contribute the \$100 PSERS allowance plus the difference between the family and the husband/wife rate.

**Prior Incentives**

The incentive which was in place prior to the current incentive was in effect through June 30, 2013 and also pertained to teachers and administrators. The terms of the incentive were identical to the current incentive as stated above.

The incentive which was in place prior to the June 30, 2013 incentive was in effect through June 30, 2010, and also pertained to teachers and administrators.

**Fox Chapel Area School District  
Notes to Financial Statements  
June 30, 2018**

**Note 14 - Other Post-Employment Benefit Plan (Cont'd)**

**B. Funding Policy (Cont'd)**

**1) Medical Benefits (Cont'd)**

**Prior Incentives (Cont'd)**

The Memorandum of Understanding for this incentive states that: The School District will provide to teachers and administrators with a minimum of 20 years and a maximum of 35 years of service in the PSERS system, a disbursement of \$286 a month for a period of 10 years following the date of retirement or until the teacher/administrator reaches other government-sponsored insurance eligibility, whichever comes first.

In order to maintain retiree medical coverage, a retiree must contribute the difference between the cost of coverage and the \$286 School District allowance. In lieu of retiree medical benefits, retirees are eligible to receive the \$286 stipend in cash.

**Benefit Duration**

Benefits are provided to the age of 65.

**Contributions**

The amount a retiree must contribute toward post-retirement 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.

**2) Life Insurance**

Upon retirement, teachers and administrators are provided with \$1,000 of paid-up life insurance.

**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 attains Medicare eligibility.

**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, provided that the individual contributes 100% of the premium rate.

**Fox Chapel Area School District**  
**Notes to Financial Statements**  
**June 30, 2018**

**Note 14 - Other Post-Employment Benefit Plan (Cont'd)**

**B. Funding Policy (Cont'd)**

**5) Employees Covered by Benefit Terms**

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

Inactive employees or beneficiaries currently receiving benefit payments	54
Active employees	<u>496</u>
	<u>550</u>

**C. Total OPEB Liability**

The School District's total OPEB liability of \$12,303,760 was measured as of July 1, 2017, and was determined by an actuarial valuation as of that date.

**D. Actuarial Methods and Assumptions**

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

Inflation	3.00%
Salary Increases	2.50%
Discount Rate	3.58%
Healthcare Cost Trend Rates	7.00% for 2018/2019 decreasing by 0.25 % through 2025.

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

Mortality rates were based on the RPH-2014 Total Dataset Mortality Table projected using Scale MP-2017.

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



**Fox Chapel Area School District**  
**Notes to Financial Statements**  
**June 30, 2018**

**Note 14 - Other Post-Employment Benefit Plan (Cont'd)**

**E. Change in the Total OPEB Liability**

	Total OPEB Liability
Balance at June 30, 2017	\$ 6,962,363
Changes for the year:	
Service Cost	204,684
Interest	278,495
Change of Benefit Terms	4,728,579
Differences between expected and actual experience	228,120
Changes of assumptions or other inputs	252,436
Benefit Payments	<u>(350,917)</u>
Net Changes	<u>5,341,397</u>
Balance at June 30, 2018	<u>\$12,303,760</u>

**F. Changes of Assumptions and Other Inputs**

- Updated the discount rate from 4.0% to 3.58%.
- Updated the mortality table.
- Change in benefit terms.

**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 (2.58%) or one percentage point higher (4.58%) than the current discount rate:

	1.00% Decrease 2.58%	Current Discount Rate 3.58%	1.00% Increase 4.58%
Total OPEB Liability	\$12,814,528	\$12,303,760	\$11,658,060

**Fox Chapel Area School District**  
**Notes to Financial Statements**  
**June 30, 2018**

**Note 14 - Other Post-Employment Benefit Plan (Cont'd)**

**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	\$11,455,564	\$12,303,760	\$13,254,302

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

For the year ended June 30, 2018, the School District recognized OPEB Expense of \$570,244. At June 30, 2018, 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
Difference between expected and actual experience	\$209,110	\$ -
Changes in assumptions	231,400	-
Benefit payments subsequent to the Measurement date	<u>357,675</u>	<u>-</u>
	<u>\$798,185</u>	<u>\$ -</u>

The \$357,675 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,	
2019	\$ 40,046
2020	40,046
2021	40,046

**Fox Chapel Area School District**  
**Notes to Financial Statements**  
**June 30, 2018**

**Note 14 - Other Post-Employment Benefit Plan (Cont'd)**

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

Year Ended June 30,	
2022	\$ 40,046
2023	40,046
Thereafter	<u>240,280</u>
	<u>\$440,510</u>

**Note 15 - Risk Management**

The School District is one of forty-six members of the Allegheny County Schools Health Insurance Consortium (Consortium) which purchases health benefits on behalf of participating public school districts. The School District is billed monthly based on employee count and coverage information at rates established by the Consortium at the beginning of each fiscal year. As the Consortium is self-insured, rates are established with the objective of satisfying estimated claims and other costs, as well as maintaining working capital requirements. Contributions to the Consortium totaled \$9,547,589 and \$9,392,271 for the years ended June 30, 2018 and 2017, 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, 2018, the net position of the Consortium was \$64,048,819 of which \$2,471,610 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 16 - On-Behalf Payments**

The amounts recognized for revenues and expenditures for on-behalf payments relating to fringe benefits for the year ended June 30, 2018, was \$9,187,653.

**Fox Chapel Area School District**  
**Notes to Financial Statements**  
**June 30, 2018**

**Note 16 - On-Behalf Payments (Cont'd)**

This includes \$7,489,992 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 \$1,697,661 to the federal government for social security and Medicare taxes for the year ended June 30, 2018. The School District pays these on-behalf payments directly to PSERS and the government and is reimbursed by the Commonwealth for their appropriate share.

**Note 17 - Construction Commitment**

As of June 30, 2018, the School District had construction commitments in the amount of approximately \$21,400,000 for various capital projects. It is anticipated these projects will be completed in the 2018/2019 fiscal year.

**REQUIRED SUPPLEMENTARY  
INFORMATION SECTION**

**Fox Chapel Area School District  
Statement of Revenues, Expenditures  
and Changes in Fund Balance  
General Fund - Budget and Actual  
Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
Revenues				
Local Sources				
Taxes				
Current Real Estate Taxes	\$ 62,753,621	\$ 62,753,621	\$62,737,457	\$ (16,164)
Interim Real Estate Taxes	10,000	10,000	-	(10,000)
Public Utility Realty Taxes	79,000	79,000	71,981	(7,019)
Payments in Lieu of Current Taxes	10,000	10,000	15,967	5,967
Local Services Taxes	92,002	92,002	108,879	16,877
Earned Income Taxes	7,085,000	7,085,000	7,772,439	687,439
Real Estate Transfer Taxes	900,000	900,000	975,825	75,825
Delinquencies on Taxes	2,600,000	2,600,000	2,728,484	128,484
Earnings on Investments	100,000	100,000	512,303	412,303
Other Local Revenues				
Revenue from Student Activities	94,800	93,500	204,932	111,432
Federal and Other Revenues from IUs	538,696	492,285	492,285	-
Contributions and Donations from Private Sources	196,175	163,654	177,946	14,292
Rentals	40,000	40,000	34,701	(5,299)
Tuition	2,800	2,800	111,023	108,223
Svcs. Prov. Other Local Gov't. Units	150,000	125,000	118,948	(6,052)
Revenue from Community Svcs. Activities	30,000	30,000	2,000	(28,000)
Miscellaneous Revenue	5,000	5,000	11,275	6,275
Refunds of Prior Year's Expenditures	<u>100,000</u>	<u>100,000</u>	<u>91,337</u>	<u>(8,663)</u>
Total Revenues from Local Sources	<u>74,787,094</u>	<u>74,681,862</u>	<u>76,167,782</u>	<u>1,485,920</u>
State Sources				
Basic Instruct. & Oper. Subsidies				
Basic Instructional Subsidy	3,649,182	3,626,930	3,626,930	-
Tuition	-	-	8,696	8,696
Subsidies for Spec. Educ. Programs				
Special Education of Excep. Pupils	2,396,293	2,387,742	2,518,397	130,655
Subsidies for Noneducational Programs				
Transportation (Regular & Add'l.)	1,750,000	1,359,490	1,359,490	-
Rentals and Sinking Fund Payments	523,993	523,993	524,283	290
Health Services	96,500	96,500	94,323	(2,177)
State Property Tax Reduction Allocation	1,480,832	1,480,832	1,480,832	-
Ready to Learn Block Grant	205,000	205,030	205,030	-

**Fox Chapel Area School District  
Statement of Revenues, Expenditures  
and Changes in Fund Balance  
General Fund - Budget and Actual  
Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
Revenues (Cont'd)				
State Sources (Cont'd)				
Subsidies for Noneduc. Programs (Cont'd)				
Social Security Payments	\$ 1,778,000	\$ 1,778,000	\$ 1,678,237	\$ (99,763)
State Retirement Revenue	7,300,000	7,300,000	7,404,972	104,972
Other State Grants	<u>81,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues from State Sources	<u>19,260,800</u>	<u>18,758,517</u>	<u>18,901,190</u>	<u>142,673</u>
Federal Sources				
Restricted Grants-in-Aid from the Fed. Gov't. through the Commonwealth				
Title I	542,891	451,518	451,518	-
Title II	120,680	107,293	106,738	(555)
Title III	4,000	4,000	9,046	5,046
Title IV	-	10,123	10,123	-
Medical Assistance - Admin.	-	-	4,185	4,185
Medical Assistance - Access	<u>97,000</u>	<u>97,000</u>	<u>472,390</u>	<u>375,390</u>
Total Revenues from Federal Sources	<u>764,571</u>	<u>669,934</u>	<u>1,054,000</u>	<u>384,066</u>
Total Revenues	<u>94,812,465</u>	<u>94,110,313</u>	<u>96,122,972</u>	<u>2,012,659</u>
Other Financing Sources				
Sale of Capital Assets	105,000	105,000	56,139	(48,861)
Proceeds from Extended Term Financing	<u>1,284,000</u>	<u>300,000</u>	<u>903,846</u>	<u>603,846</u>
Total Other Financing Sources	<u>1,389,000</u>	<u>405,000</u>	<u>959,985</u>	<u>554,985</u>
Total Revenues and Other Financing Sources	<u>96,201,465</u>	<u>94,515,313</u>	<u>97,082,957</u>	<u>2,567,644</u>
Expenditures				
Instruction				
Regular Programs				
Personal Services				
Salaries	27,564,488	26,885,558	26,900,371	(14,813)
Employee Benefits	16,622,760	15,706,052	15,871,408	(165,356)
Purchased Prof. & Tech. Services	987,905	1,307,454	1,296,616	10,838
Purchased Property Services	<u>40,829</u>	<u>43,421</u>	<u>36,582</u>	<u>6,839</u>

**Fox Chapel Area School District  
Statement of Revenues, Expenditures  
and Changes in Fund Balance  
General Fund - Budget and Actual  
Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
Expenditures (Cont'd)				
Instruction (Cont'd)				
Regular Programs (Cont'd)				
Other Purchased Services	\$ 507,436	\$ 657,711	\$ 666,227	\$ (8,516)
Supplies	1,653,789	1,697,718	1,541,967	155,751
Property	245,766	243,693	167,011	76,682
Other Objects	<u>22,572</u>	<u>41,457</u>	<u>42,786</u>	<u>(1,329)</u>
Total Regular Programs	<u>47,645,545</u>	<u>46,583,064</u>	<u>46,522,968</u>	<u>60,096</u>
Special Programs				
Personal Services				
Salaries	6,274,783	5,976,953	6,082,820	(105,867)
Employee Benefits	3,888,234	3,733,848	3,696,134	37,714
Purchased Prof. & Tech. Services	315,945	654,304	604,944	49,360
Purchased Property Services	1,823	12,781	6,537	6,244
Other Purchased Services	1,203,160	1,088,871	1,246,537	(157,666)
Supplies	55,139	91,151	80,108	11,043
Property	34,470	12,196	2,940	9,256
Other Objects	<u>7,463</u>	<u>6,806</u>	<u>5,069</u>	<u>1,737</u>
Total Special Programs	<u>11,781,017</u>	<u>11,576,910</u>	<u>11,725,089</u>	<u>(148,179)</u>
Vocational Education Programs				
Other Purchased Services	<u>689,900</u>	<u>746,728</u>	<u>747,814</u>	<u>(1,086)</u>
Other Instructional Programs				
Personal Services				
Salaries	580,148	622,178	655,532	(33,354)
Employee Benefits	315,385	306,464	319,143	(12,679)
Purchased Prof. & Tech. Services	14,400	39,127	45,022	(5,895)
Other Purchased Services	51,300	60,100	58,374	1,726
Supplies	26,871	63,278	55,853	7,425
Other Objects	<u>-</u>	<u>2,250</u>	<u>2,100</u>	<u>150</u>
Total Other Instructional Programs	<u>988,104</u>	<u>1,093,397</u>	<u>1,136,024</u>	<u>(42,627)</u>



**Fox Chapel Area School District  
Statement of Revenues, Expenditures  
and Changes in Fund Balance  
General Fund - Budget and Actual  
Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
Expenditures (Cont'd)				
Instruction (Cont'd)				
Nonpublic School Programs				
Purchased Prof. & Tech. Services	\$ 12,380	\$ 22,177	\$ 14,937	\$ 7,240
Supplies	<u>-</u>	<u>1,590</u>	<u>5,776</u>	<u>(4,186)</u>
Total Nonpublic School Programs	<u>12,380</u>	<u>23,767</u>	<u>20,713</u>	<u>3,054</u>
Total Instruction	<u>61,116,946</u>	<u>60,023,866</u>	<u>60,152,608</u>	<u>(128,742)</u>
Support Services				
Pupil Personnel				
Personal Services				
Salaries	1,962,008	1,969,458	1,975,952	(6,494)
Employee Benefits	1,189,313	1,183,409	1,201,525	(18,116)
Purchased Prof. & Tech. Services	234,270	237,930	221,642	16,288
Purchased Property Services	19,440	24,000	17,731	6,269
Other Purchased Services	5,659	5,222	2,662	2,560
Supplies	193,150	197,356	151,654	45,702
Property	112,090	110,308	104,951	5,357
Other Objects	<u>44,496</u>	<u>44,496</u>	<u>60,451</u>	<u>(15,955)</u>
Total Pupil Personnel	<u>3,760,426</u>	<u>3,772,179</u>	<u>3,736,568</u>	<u>35,611</u>
Instructional Staff				
Personal Services				
Salaries	1,942,924	2,132,160	2,051,441	80,719
Employee Benefits	1,017,098	1,268,312	1,281,514	(13,202)
Purchased Prof. & Tech. Services	77,965	83,631	57,940	25,691
Purchased Property Services	33,615	33,013	22,747	10,266
Other Purchased Services	7,825	15,811	15,207	604
Supplies	311,294	512,336	538,456	(26,120)
Property	1,208,250	439,361	1,035,666	(596,305)
Other Objects	<u>1,065</u>	<u>3,052</u>	<u>1,939</u>	<u>1,113</u>
Total Instructional Staff	<u>4,600,036</u>	<u>4,487,676</u>	<u>5,004,910</u>	<u>(517,234)</u>

**Fox Chapel Area School District  
Statement of Revenues, Expenditures  
and Changes in Fund Balance  
General Fund - Budget and Actual  
Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
Expenditures (Cont'd)				
Support Services (Cont'd)				
Administration				
Personal Services				
Salaries	\$ 3,256,722	\$ 3,373,601	\$ 3,406,295	\$ (32,694)
Employee Benefits	1,848,994	1,885,171	1,899,539	(14,368)
Purchased Prof. & Tech. Services	914,937	1,097,024	1,151,774	(54,750)
Purchased Property Services	1,548	38,056	1,645	36,411
Other Purchased Services	145,066	107,033	112,044	(5,011)
Supplies	136,082	138,213	126,313	11,900
Property	12,600	9,778	-	9,778
Other Objects	<u>65,846</u>	<u>254,313</u>	<u>226,788</u>	<u>27,525</u>
Total Administration	<u>6,381,795</u>	<u>6,903,189</u>	<u>6,924,398</u>	<u>(21,209)</u>
Pupil Health				
Personal Services				
Salaries	555,016	576,529	562,821	13,708
Employee Benefits	345,667	334,631	337,183	(2,552)
Purchased Prof. & Tech. Services	22,603	22,603	9,212	13,391
Purchased Property Services	2,187	2,187	1,919	268
Other Purchased Services	2,714	2,333	231	2,102
Supplies	6,052	5,912	7,898	(1,986)
Other Objects	<u>-</u>	<u>520</u>	<u>520</u>	<u>-</u>
Total Pupil Health	<u>934,239</u>	<u>944,715</u>	<u>919,784</u>	<u>24,931</u>
Business				
Personal Services				
Salaries	351,766	379,874	379,730	144
Employee Benefits	194,325	243,503	244,761	(1,258)
Purchased Prof. & Tech. Services	38,450	55,336	55,727	(391)
Purchased Property Services	436,680	481,064	485,092	(4,028)
Other Purchased Services	810	1,293	1,336	(43)
Supplies	129,420	183,120	213,584	(30,464)
Property	-	5,311	6,458	(1,147)
Other Objects	<u>7,088</u>	<u>10,787</u>	<u>10,862</u>	<u>(75)</u>
Total Business	<u>1,158,539</u>	<u>1,360,288</u>	<u>1,397,550</u>	<u>(37,262)</u>

**Fox Chapel Area School District  
Statement of Revenues, Expenditures  
and Changes in Fund Balance  
General Fund - Budget and Actual  
Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
Expenditures (Cont'd)				
Support Services (Cont'd)				
Oper. & Maint. of Plant Svcs.				
Personal Services				
Salaries	\$ 2,595,115	\$ 2,635,814	\$ 2,581,943	\$ 53,871
Employee Benefits	1,755,722	1,710,248	1,765,876	(55,628)
Purchased Prof. & Tech. Services	333,315	332,280	351,283	(19,003)
Purchased Property Services	689,365	696,814	553,881	142,933
Other Purchased Services	297,128	217,904	215,724	2,180
Supplies	1,527,934	1,546,000	1,619,437	(73,437)
Property	44,819	41,785	42,217	(432)
Other Objects	<u>1,350</u>	<u>2,335</u>	<u>2,722</u>	<u>(387)</u>
Total Oper. & Maint. of Plant Svcs.	<u>7,244,748</u>	<u>7,183,180</u>	<u>7,133,083</u>	<u>50,097</u>
Student Transportation Services				
Personal Services				
Salaries	15,962	93,095	93,335	(240)
Employee Benefits	6,576	58,194	57,890	304
Purchased Prof. & Tech. Services	3,600	5,000	5,000	-
Other Purchased Services	3,908,173	3,908,173	3,999,234	(91,061)
Supplies	14,220	14,220	-	14,220
Other Objects	<u>162</u>	<u>162</u>	<u>-</u>	<u>162</u>
Total Student Transportation Services	<u>3,948,693</u>	<u>4,078,844</u>	<u>4,155,459</u>	<u>(76,615)</u>
Central				
Personal Services				
Salaries	180,327	155,290	155,314	(24)
Employee Benefits	106,737	143,788	135,315	8,473
Purchased Prof. & Tech. Services	65,682	94,956	63,134	31,822
Purchased Property Services	43,416	34,771	32,940	1,831
Other Purchased Services	37,571	35,404	15,503	19,901
Supplies	97,350	99,675	95,412	4,263
Property	4,680	43,480	42,800	680
Other Objects	<u>122</u>	<u>122</u>	<u>-</u>	<u>122</u>
Total Central	<u>535,885</u>	<u>607,486</u>	<u>540,418</u>	<u>67,068</u>

**Fox Chapel Area School District  
Statement of Revenues, Expenditures  
and Changes in Fund Balance  
General Fund - Budget and Actual  
Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
Expenditures (Cont'd)				
Support Services (Cont'd)				
Other				
Other Purchased Services	\$ 105,000	\$ 102,020	\$ 102,020	\$ -
Supplies	<u>12,150</u>	<u>12,150</u>	<u>8,024</u>	<u>4,126</u>
Total Other	<u>117,150</u>	<u>114,170</u>	<u>110,044</u>	<u>4,126</u>
Total Support Services	<u>28,681,511</u>	<u>29,451,727</u>	<u>29,922,214</u>	<u>(470,487)</u>
Noninstructional Services				
Student Activities				
Personal Services				
Salaries	1,419,502	1,378,153	1,278,872	99,281
Employee Benefits	499,548	503,326	548,363	(45,037)
Purchased Prof. & Tech. Services	116,258	112,277	107,026	5,251
Purchased Property Services	109,494	87,866	83,528	4,338
Other Purchased Services	254,618	273,012	244,772	28,240
Supplies	119,425	211,433	171,346	40,087
Property	62,100	58,346	37,232	21,114
Other Objects	<u>40,594</u>	<u>50,045</u>	<u>45,216</u>	<u>4,829</u>
Total Student Activities	<u>2,621,539</u>	<u>2,674,458</u>	<u>2,516,355</u>	<u>158,103</u>
Community Services				
Purchased Prof. & Tech. Services	135,000	135,000	152,439	(17,439)
Supplies	7,200	12,483	2,423	10,060
Other Objects	<u>-</u>	<u>11,502</u>	<u>10,831</u>	<u>671</u>
Total Community Services	<u>142,200</u>	<u>158,985</u>	<u>165,693</u>	<u>(6,708)</u>
Scholarship and Awards				
Other Objects	<u>-</u>	<u>8,000</u>	<u>8,000</u>	<u>-</u>
Total Noninstructional Services	<u>2,763,739</u>	<u>2,841,443</u>	<u>2,690,048</u>	<u>151,395</u>

**Fox Chapel Area School District  
Statement of Revenues, Expenditures  
and Changes in Fund Balance  
General Fund - Budget and Actual  
Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
Expenditures (Cont'd)				
Facilities Acquisition, Construction and Improvement Services				
Purchased Property Services	\$ 98,400	\$ 101,725	\$ 129,272	\$ (27,547)
Supplies	9,477	9,477	9,289	188
Property	<u>12,780</u>	<u>12,780</u>	<u>13,187</u>	<u>(407)</u>
Total Facilities Acquisition, Construction and Improvement Services	<u>120,657</u>	<u>123,982</u>	<u>151,748</u>	<u>(27,766)</u>
Debt Service				
Interest	1,958,071	1,958,071	1,961,377	(3,306)
Refunds of Prior Year's Receipts	80,000	86,025	86,913	(888)
Redemption of Principal	<u>2,551,435</u>	<u>2,343,694</u>	<u>2,235,534</u>	<u>108,160</u>
Total Debt Service	<u>4,589,506</u>	<u>4,387,790</u>	<u>4,283,824</u>	<u>103,966</u>
Total Expenditures	<u>97,272,359</u>	<u>96,828,808</u>	<u>97,200,442</u>	<u>(371,634)</u>
Other Financing Uses				
Fund Transfers				
Capital Projects Fund	28,000	28,000	20,600	7,400
Budgetary Reserve	<u>6,164,385</u>	<u>5,340,995</u>	<u>-</u>	<u>5,340,995</u>
Total Other Financing Uses	<u>6,192,385</u>	<u>5,368,995</u>	<u>20,600</u>	<u>5,348,395</u>
Total Expenditures and Other Financing Uses	<u>103,464,744</u>	<u>102,197,803</u>	<u>97,221,042</u>	<u>4,976,761</u>
Net Change in Fund Balance	(7,263,279)	(7,682,490)	(138,085)	7,544,405
Fund Balance - July 1, 2017	<u>26,123,923</u>	<u>26,123,923</u>	<u>26,307,932</u>	<u>184,009</u>
Fund Balance - June 30, 2018	<u>\$ 18,860,644</u>	<u>\$ 18,441,433</u>	<u>\$26,169,847</u>	<u>\$7,728,414</u>

**Fox Chapel Area School District**  
**Note to the Required Supplementary Information**  
**Budget Comparison**  
**June 30, 2018**

**Note 1 - Budgetary Information**

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

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

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

	June 30, 2018	June 30, 2017
Total OPEB Liability		
Service cost	\$ 204,684	\$ -
Interest	278,495	-
Changes in benefit terms	4,728,579	-
Difference between expected and actual experience	228,120	-
Changes of assumptions and other inputs	252,436	-
Benefit payments	<u>(350,917)</u>	<u>-</u>
Net Change in Total OPEB Liability	5,341,397	-
Total OPEB Liability - Beginning	<u>6,962,363</u>	<u>-</u>
Total OPEB Liability - Ending	<u>\$12,303,760</u>	<u>\$ 6,962,363</u>
Covered-Employee Payroll	\$38,856,852	\$41,467,596
Total OPEB Liability as a Percentage of Covered-Employee Payroll	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 ended June 30, 2018 is 3.58%.

Change made to the mortality tables.

Change to benefit terms

A new retirement incentive was offered to teachers and administrators.

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 Four Years**

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually Required Contribution	\$14,431,717	\$11,703,684	\$11,664,195	\$ 8,584,556
Contributions in Relation to the Contractually Required Contribution	<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> -
School District's Covered Payroll	\$45,805,695	\$40,081,109	\$47,431,251	\$42,692,360
Contributions as a Percentage of Covered Payroll	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 Five Years  
(Dollar Amount in Thousands)**

	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
School District's Proportion of the Net Pension Liability (Asset)	0.3010%	0.3662%	0.3318%	0.3228%	0.3187%
School District's Proportionate Share of the Net Pension Liability (Asset)	\$148,659	\$181,477	\$143,720	\$127,766	\$130,463
School District's Covered Payroll	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	370.90%	382.61%	336.64%	310.16%	319.03%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	51.84%	50.14%	54.36%	57.24%	54.49%

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

**SINGLE AUDIT SECTION**

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

**CERTIFIED PUBLIC ACCOUNTANTS**

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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, 2018 were prepared to fulfill the requirements of the Government Auditing Standards and the Uniform Grant Guidance. A summary of the reports are as follows:

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

Respectfully submitted,

*Hosack, Specht, Muetzel & Wood LLP*

HOSACK, SPECHT, MUETZEL & WOOD LLP  
Pittsburgh, Pennsylvania  
December 28, 2018

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

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

Members of the Board  
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, 2018, 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 December 28, 2018.

**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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 may exist that have not been identified.

### **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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

*Hosack, Specht, Muetzel & Wood LLP*

HOSACK, SPECHT, MUETZEL & WOOD LLP  
Pittsburgh, Pennsylvania  
December 28, 2018

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

**Exhibit B**

**CERTIFIED PUBLIC ACCOUNTANTS**

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

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

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

We have audited Fox Chapel Area School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Fox Chapel Area School District's major federal programs for the year ended June 30, 2018. 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.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

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

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

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

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, 2018.

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

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

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

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

Members of the Board  
Fox Chapel Area School District  
Exhibit B  
Page 3

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

*Hosack, Specht, Muetzel & Wood LLP*

HOSACK, SPECHT, MUETZEL & WOOD LLP  
Pittsburgh, Pennsylvania  
December 28, 2018



## Exhibit C

**Fox Chapel Area School District  
Schedule of Findings and Questioned Costs  
June 30, 2018**

**Exhibit C**

**Section II – Financial Statement Findings**

No matters were reported.

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

No matters were reported.

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

Not applicable.

**Fox Chapel Area School District**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2018**

**Exhibit D**

Federal Grantor/ Pass Through Grantor/ Project Title	Source Code	Federal CFDA Number	Pass Through Grantor's Number	Grant Period Beginning/ Ending Date	Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue 07/01/17	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue 06/30/18
U. S. Department of Education Passed through the Pennsylvania Department of Education										
Title I	I	84.010	013-180154	08/31/17-09/30/18	\$451,518	\$ 419,267	\$ -	\$ 451,518	\$ 451,518	\$ 32,251
Title I	I	84.010	013-170154	07/11/16-09/30/17	523,188	103,652	103,652	-	-	-
						522,919	103,652	451,518	451,518	32,251
Title II Improving Teacher Quality	I	84.367	020-180154	08/31/17-09/30/18	106,738	83,985	-	106,738	106,738	22,753
Title II Improving Teacher Quality	I	84.367	020-170154	07/11/16-09/30/17	119,935	23,950	23,950	-	-	-
						107,935	23,950	106,738	106,738	22,753
Title IV Student Sup. & Aced. Enrichment	I	84.424	144-180154	08/31/17-09/30/18	10,123	5,061	-	10,123	10,123	5,062
Special Education Cluster (IDEA) Passed through the Allegheny Intermediate Unit										
IDEA Grant	I	84.027	062-180003	07/01/17-09/30/18	490,237	256,054	-	490,237	490,237	234,183
IDEA Grant	I	84.027	062-170003	07/01/16-09/30/17	538,696	538,696	538,696	-	-	-
IDEA Preschool Grants	I	84.173	131-170003	07/01/17-06/30/18	2,048	2,048	-	2,048	2,048	-
Total Special Education Cluster						796,798	538,696	492,285	492,285	234,183
Passed through the Allegheny Intermediate Unit										
Title III English Language Acquisition	I	84.365	FA-010-180603	07/01/17-09/30/18	3,997	3,997	-	3,997	3,997	-
Title III Immigrant Funds	I	84.365	FA-010-180603	07/01/17-09/30/18	5,049	5,049	-	5,049	5,049	-
						9,046	-	9,046	9,046	-
Total U. S. Dept. of Education						1,441,759	666,298	1,069,710	1,069,710	294,249
U. S. Department of Health & Human Svcs. Passed through the Pennsylvania Department of Public Welfare Medical Assistance - Reimbursement for Adm. Title 19	I	93.778	N/A	N/A	N/A	2,730	1,040	4,185	4,185	2,495
U. S. Department of Agriculture Child Nutrition Cluster Passed through the Pennsylvania Department of Education										
Nat'l. School Lunch Program	I	10.555	N/A	07/01/17-06/30/18	N/A	352,984	55,004	350,898	350,898	52,918
Nat'l. School Breakfast Program	I	10.553	N/A	07/01/17-06/30/18	N/A	81,824	14,114	80,253	80,253	12,543
Passed through the Pennsylvania Department of Agriculture National School Lunch Program (Donated Commodities Noncash Assistance)	I	10.555	N/A	07/01/17-06/30/18	N/A	86,407	(9,000)	79,684	79,684	(15,723)
Total U. S. Dept. of Agriculture and Child Nutrition Cluster						521,215	60,118	510,835	510,835	49,738
Total Federal Financial Assistance						\$1,965,704	\$727,456	\$1,584,730	\$1,584,730	\$346,482

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, 2018**

**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, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of 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.

**Note D - Reconciliation with Subsidy Confirmation**

Amount Received Per Schedule	\$1,965,704
Add: State Funding on Confirmation	36,651
Add: Medical Assistance	1,142,783
Less: Pass Through AIU	(805,844)
Less: Donated Commodities	(86,407)
Less: Title 19	<u>(2,730)</u>
Per Subsidy Confirmation	<u>\$2,250,157</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, 2018**

**Exhibit E**

1 Copy - Bureau of Audits

1 Copy - Bureau of the Census