

**Fox Chapel Area School District
Financial Statements
June 30, 2023**



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

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

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fox Chapel Area School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Fox Chapel Area School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fox Chapel Area School District, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Change in Accounting Principle

As described in Note 16 to the financial statements, Fox Chapel Area School District adopted new accounting guidance, GASB Statement No. 96 "*Subscription-Based Information Technology Arrangements*". Our opinions are not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2023, on our consideration of Fox Chapel Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Fox Chapel Area School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fox Chapel Area School District's internal control over financial reporting and compliance.

Hosack, Specht, Muetzel & Wood LLP
HOSACK, SPECHT, MUETZEL & WOOD LLP
Pittsburgh, Pennsylvania
December 27, 2023

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

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, 2023. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

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

Financial Highlights

The School District's largest expense continues to be personnel costs including wages, retirement contributions and medical group insurance costs. The employer contribution rate for the Pennsylvania School Employees' Retirement System (PSERS) continued to rise to historical highs and was 35.26% in 2022/2023. The total contributions paid were \$17,267,739 in 2022/2023, an increase of 3.7% from the prior year. PSERS alone still accounts for over 15% of the total budget.

The millage rate increased from the previous year to 20.4288 mills for the 2022/2023 school year, an increase of 1.5%.

The School District did exceed the anticipated revenue budget. In 2022/2023, the actual revenue variance from the original budget was \$3,630,653, or 3.3% of actual revenue received. This large variance is largely a continuation of the impact COVID and subsequent federal COVID funding had on the budget. The large revenue variance from budget to actual was from Act 511 taxes. Earned income revenue came in higher than originally budgeted for and the district is continuing to see results from the housing surge which resulted in increased realty transfer tax collections over budget. Additionally, with the rising interest rates, the district was able to see a large increase in their return on investment higher than originally budgeted.

Actual expenditures for the fiscal year were in line with the original budget, with a variance of \$1,797,951 compared to the original budget for 2022/2023. There was an additional transfer of \$3,200,000 into the Capital Projects funds to be put towards the district's Multi-Year Capital Projects Plan. Adjusting the additional transfer to Capital Projects, total expenditures would be closer to \$1.4 million under budget which is more in line with prior year.

The School District completed the fiscal year 2022/2023 with a negative net position due to the requirement to report pension liabilities on the balance sheet. The net pension liability of the School District governmental activities increased by \$10,965,575 to \$143,437,329 and created a negative net position of \$(82,759,515) at the end of fiscal year 2023.

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

The School District's business-type activity, which is comprised of the food service fund, showed a negative net position of \$(172,551), which is a positive change from the previous year. COVID continued to affect the food service fund in 2022/23. Expenditures remained close to budget and the fund saw a positive net change at the end of the year.

Using the Annual Financial Report

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

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

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

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

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

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

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

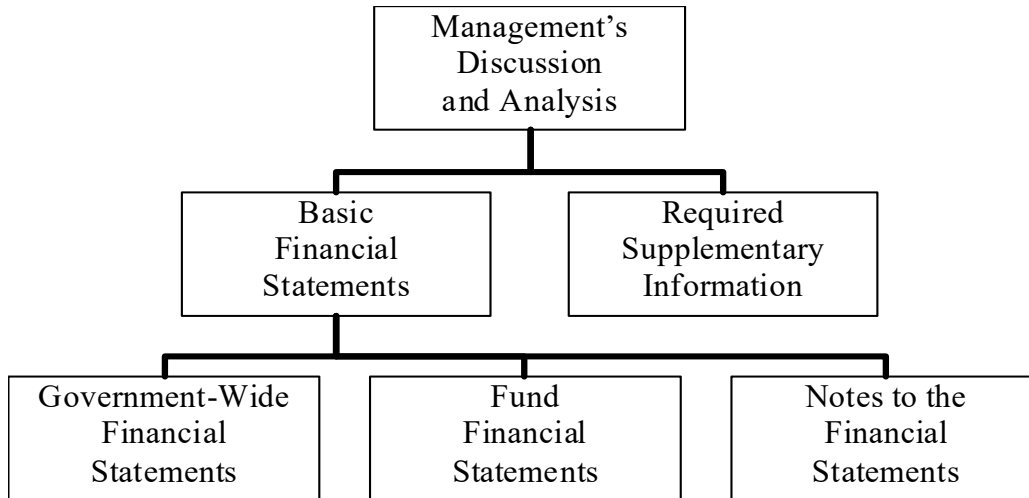


Figure A-2 summarizes the major features of the School District's financial statements, including the portion of the School District they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents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

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

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

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

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

Overview of Financial Statements

Government-Wide Statements

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

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

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

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

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

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

Fund Financial Statements

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

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

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

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

Financial Analysis of the School District as a Whole

The School District's total net position was a deficit \$(82,932,066) at June 30, 2023 and a deficit \$(95,526,058) at June 30, 2022.

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

	2023			2022		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Current and Other Assets	\$ 54,861,760	\$ 1,441,242	\$ 56,303,002	\$ 48,822,244	\$ 1,274,900	\$ 50,097,144
Capital Assets	99,195,008	62,298	99,257,306	103,963,495	26,937	103,990,432
Total Assets	154,056,768	1,503,540	155,560,308	152,785,739	1,301,837	154,087,576
Deferred Outflows of Resources	25,514,285	287,843	25,802,128	27,376,793	287,978	27,664,771
Current and Other Liabilities	15,151,702	69,647	15,221,349	14,542,475	168,743	14,711,218
Noncurrent Liabilities						
Due Within One Year	2,472,749	-	2,472,749	2,944,003	-	2,944,003
Due in More Than One Year	229,318,415	1,791,700	231,110,115	228,638,081	1,582,445	230,220,526
Total Liabilities	246,942,866	1,861,347	248,804,213	246,124,559	1,751,188	247,875,747

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

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

	2023			2022		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Deferred Inflows of Resources	14,734,994	102,587	14,837,581	29,083,456	319,202	29,402,658
Net Position						
Net Investment in Capital Assets	30,241,619	62,298	30,303,917	32,251,296	26,937	32,278,233
Unrestricted	(112,348,426)	(234,849)	(112,583,275)	(127,296,779)	(507,512)	(127,804,291)
Total Net Position	<u>\$ (82,106,807)</u>	<u>\$ (172,551)</u>	<u>\$ (82,279,358)</u>	<u>\$ (95,045,483)</u>	<u>\$ (480,575)</u>	<u>\$ (95,526,058)</u>

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

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

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

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

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

	2023			2022		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Revenues						
Program Revenues						
Charges for Services	\$ -	\$ 1,010,196	\$ 1,010,196	\$ -	\$ 246,857	\$ 246,857
Operating Grants and Contribs.	17,967,122	1,413,786	19,380,908	18,591,732	2,555,014	21,146,746
Capital Grants and Contribs.	1,044,619	-	1,044,619	1,691,680	-	1,691,680
General Revenues						
Property Taxes	72,800,175	-	72,800,175	70,718,469	-	70,718,469
Other Taxes	11,933,171	-	11,933,171	11,166,678	-	11,166,678
Grants, Subsidies and Contribs.						
Not Restricted	6,926,563	-	6,926,563	5,817,538	-	5,817,538
Investment Earnings	1,877,321	41,429	1,918,750	46,743	846	47,589
Other	748,804	-	748,804	260,656	-	260,656
Total Revenues	113,297,775	2,465,411	115,763,186	108,293,496	2,802,717	111,096,213
Expenses						
Instruction	64,130,483	-	64,130,483	60,022,436	-	60,022,436
Instructional Student Support	8,886,106	-	8,886,106	9,721,146	-	9,721,146
Admin. and Fin. Support Svcs.	9,066,528	-	9,066,528	8,473,373	-	8,473,373
Operation and Maintenance						
of Plant Services	8,345,077	-	8,345,077	7,925,627	-	7,925,627
Pupil Transportation	4,599,598	-	4,599,598	4,422,512	-	4,422,512
Student Activities	2,864,541	-	2,864,541	2,716,908	-	2,716,908
Community Services	56,721	-	56,721	253,113	-	253,113
Scholarships	4,500	-	4,500	-	-	-
Interest on Long-Term Debt	2,407,785	-	2,407,785	2,597,023	-	2,597,023
Food Service	-	2,157,387	2,157,387	-	1,853,911	1,853,911
Total Expenses	100,361,339	2,157,387	102,518,726	96,132,138	1,853,911	97,986,049
Increase (Decrease) in Net Position	12,936,436	308,024	13,244,460	12,161,358	948,806	13,110,164
Beginning Net Position (Restated-see Note 16)						
	(95,043,243)	(480,575)	(95,523,818)	(107,206,841)	(1,429,381)	(108,636,222)
Ending Net Position	\$ (82,106,807)	\$ (172,551)	\$ (82,279,358)	\$ (95,045,483)	\$ (480,575)	\$ (95,526,058)

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

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

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

Table A - 3
Years Ended June 30, 2023 and 2022
Governmental Activities

	2023		2022	
	Total Cost (Expense) of Services	Net Cost (Expense) of Services	Total Cost (Expense) of Services	Net Cost (Expense) of Services
Functions/Programs				
Instruction	\$ 64,130,483	\$ 51,752,825	\$ 60,022,436	\$ 48,302,555
Instructional Student Support	8,886,106	6,411,505	9,721,146	5,767,043
Admin. and Fin. Support Svcs.	9,066,528	8,186,789	8,473,373	7,454,131
Operation and Maintenance of Plant Services	8,345,077	7,652,286	7,925,627	7,230,351
Pupil Transportation	4,599,598	3,368,167	4,422,512	3,505,918
Student Activities	2,864,541	2,572,872	2,716,908	2,439,606
Community Services	56,721	37,488	253,113	243,779
Scholarships and Awards	4,500	4,500	-	-
Interest on Long-Term Debt	<u>2,407,785</u>	<u>1,363,166</u>	<u>2,597,023</u>	<u>905,343</u>
Total Governmental Activities	<u>\$ 100,361,339</u>	81,349,598	<u>\$ 96,132,138</u>	75,848,726
Less:				
Unrestricted Grants, Subsidies		<u>(6,926,563)</u>		<u>(5,817,538)</u>
Total Needs from Local Taxes and Other Revenues		<u>\$ 74,423,035</u>		<u>\$ 70,031,188</u>

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

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

Table A - 4
Years Ended June 30, 2023 and 2022
Business-Type Activities

	2023		2022	
	Total Cost (Expense) of Services	Net Cost (Expense) of Services	Total Cost (Expense) of Services	Net Cost (Expense) of Services
Functions/Programs				
Food Service	<u>\$2,157,387</u>	\$ (266,595)	<u>\$1,853,911</u>	\$ (947,960)
Add/Less:				
Investment Earnings		<u>(41,429)</u>		<u>(846)</u>
Total Business-Type Activities		<u>\$ (308,024)</u>		<u>\$ (948,806)</u>

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

School District Funds

At June 30, 2023, the School District's general fund reported a fund balance of \$28,616,086, which is an increase of \$102,332. The District's original 2022/2023 budget anticipated a decrease to fund balance of \$1,703,37, including planned drawdowns from both the PSERS committed fund balance as well as the unassigned fund balance. The variance resulted from the decreased expenditures as well as the increased revenue that was not projected at the time the budget was originally prepared.

General Fund Budget

During the fiscal year, the administration recommends that the Board of School Directors authorize revisions to the original budget to accommodate actual expenditures. These budget transfers reallocate unencumbered funds designated for one purpose to another part of the budget to be used for a different purpose. Subsequent to June 30, 2023, year-end budget transfers, not prohibited by state law, were approved. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in the required supplementary information section.

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

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

The budgetary reserve account includes amounts funded by the designated fund balance for planned opportunities of expenditures for improvements/enhancements to School District operations. These amounts are normally only appropriated into expenditure categories if the fiscal results of the prior year end with a positive addition to the fund balance, or if any one-time revenues are realized during the fiscal year. The School Board has historically used this method of budgeting to control tax increases while also protecting the integrity of the fund balance. During 2022/2023, there was a transfer to capital projects relating to the district's Multi-Year Capital Projects Plan. There was also a transfer to capital projects as a result of athletic ticket sales. The assigned fund balance for the capital projects fund was \$8,152,136 as of June 30, 2023.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2023, the School District governmental funds had \$98,138,447 invested in a broad range of capital assets, including land, land improvements, buildings, furniture and equipment and construction in progress. This amount represents a net decrease (including additions, deletions and depreciation) of \$4,337,968 or 4.2% from last year.

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

	2023	2022
Land	\$ 2,413,944	\$ 2,413,944
Land Improvements	7,956,407	8,554,985
Buildings and Building Improvements	85,733,737	89,568,171
Furniture and Equipment	1,822,740	1,939,315
Construction in Progress	211,619	-

Debt Administration

As of July 1, 2022, the School District had total outstanding bond and note principal of \$63,708,616. The total outstanding bond and note principal as of June 30, 2023 is \$58,603,566.

Table A - 6
Outstanding Debt

	As of 06/30/23	As of 06/30/22
General Obligation Bonds/Notes		
Bonds - Capital Projects Series of 2013	\$ -	\$ 33,275,000
Bonds - Series of 2017	29,050,000	29,055,000
Bonds - Series of 2022	28,350,000	-
Notes - Series of 2016	1,203,566	1,378,616

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

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

Bond Rating

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

Economic Factors and Next Year's Budget

Projected enrollment for 2023/2024 was 4,134, with 1,899 at the elementary. Projected enrollment at the middle school, grades six through eight, was 952, and high school enrollment was projected at 1,283.

Tenth day enrollment numbers 2023/24 show a total enrollment of 4,159, with 1,914 at the elementary, 962 at the middle school and 1,283 at the high school.

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

The budget for the 2023/2024 year is \$4,341,353 more than the original budget for 2022/2023. The 2023/2024 budget also includes transfers to the capital projects fund in the amount of \$2,500,000 for future capital projects plans including an HVAC project at Hartwood Elementary and turf replacement of the baseball/softball playing fields. The School District is anticipating having to draw down \$706,019 from its fund balance to balance the 2023/2024 budget. This includes a specific drawdown of \$500,000 from the capital projects assigned fund balance, a reduction of \$15,000 from the assigned athletic activities fund balance and a reduction of \$191,019 from the unassigned fund balance.

At June 30, 2023, the unassigned fund balance was approximately \$10,125,722, with plans on how to utilize or redistribute funds to be made during the 2024/2025 budget process.

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

The comparison of revenue and expenditure categories is as follows:

Table A - 7

	Budgeted Revenue 2023/2024	Actual Revenue 2022/2023
Local	78.6%	77.7%
State	20.2%	20.3%
Federal/Other	1.2%	2.0%

	Budgeted Expenditures 2023/2024	Actual Expenditures 2022/2023
Instruction	59.9%	58.9%
Support Services	28.8%	28.2%
Noninstructional Services	2.8%	2.6%
Capital Outlay	0.4%	0.6%
Fund Transfers/Debt	8.1%	9.7%

Special Session Act 1 - The Taxpayer Relief Act

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

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

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

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, 2023

Exhibit 1

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 32,364,032	\$ 1,395,654	\$ 33,759,686
Investments	9,868,616	-	9,868,616
Taxes Receivable, Net	5,047,235	-	5,047,235
Due From Other Governments	4,629,865	9,225	4,639,090
Other Receivables	552,207	-	552,207
Inventories	-	28,117	28,117
Prepaid Items	1,544,642	8,246	1,552,888
Long-Term Prepayments (net of amortization)	855,163	-	855,163
Capital Assets not Being Depreciated			
Land	2,413,944	-	2,413,944
Construction in Progress	211,619	-	211,619
Capital Assets, Net of Accumulated Depreciation			
Land Improvements	7,956,407	-	7,956,407
Building & Building Improvements	85,733,737	-	85,733,737
Furniture & Equipment	1,822,740	62,298	1,885,038
Intangible Right-to-use Assets, Net of Amort.	1,056,561	-	1,056,561
TOTAL ASSETS	154,056,768	1,503,540	155,560,308
DEFERRED OUTFLOWS OF RESOURCES			
Amounts Related to OPEB - District	2,815,452	-	2,815,452
Amounts Related to OPEB - PSERS	1,335,576	16,352	1,351,928
Amounts Related to Pension	21,363,257	271,491	21,634,748
TOTAL DEFERRED OUTFLOWS OF RESOURCES	25,514,285	287,843	25,802,128
LIABILITIES			
Internal Balances	(14,018)	14,018	-
Accounts Payable	1,156,387	-	1,156,387
Accrued Salaries and Benefits	12,452,176	-	12,452,176
Payroll Deductions and Withholdings	9,860	-	9,860
Unearned Revenues	252,373	7,338	259,711
Other Current Liabilities	1,294,924	48,291	1,343,215
Noncurrent Liabilities:			
Due Within One Year	2,472,749	-	2,472,749
Due in More Than One Year:			
Lease Liabilities	532,513	-	532,513
Subscription Liabilities	26,667	-	26,667
Notes Payable	1,019,958	-	1,019,958
Compensated Absences	4,541,254	-	4,541,254
Bonds Payable	61,820,814	-	61,820,814
Other Post-Employment Benefits - District	12,016,909	-	12,016,909
Other Post-Employment Benefits - PSERS	5,922,971	71,029	5,994,000
Net Pension Liability	143,437,329	1,720,671	145,158,000
TOTAL LIABILITIES	246,942,866	1,861,347	248,804,213
DEFERRED INFLOWS OF RESOURCES			
Deferred Charge on Refunding	4,284,254	-	4,284,254
Amounts Related to OPEB - District	1,898,327	-	1,898,327
Amounts Related to OPEB - PSERS	1,836,971	22,029	1,859,000
Amounts Related to Pension	6,715,442	80,558	6,796,000
TOTAL DEFERRED INFLOWS OF RESOURCES	14,734,994	102,587	14,837,581
NET POSITION			
Net Investment in Capital Assets	30,241,619	62,298	30,303,917
Unrestricted	(112,348,426)	(234,849)	(112,583,275)
TOTAL NET POSITION	\$ (82,106,807)	\$ (172,551)	\$ (82,279,358)

See Accompanying Notes

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

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental Activities:							
Instruction	\$ 64,130,483	\$ -	\$ 12,377,658	\$ -	\$ (51,752,825)	\$ -	\$ (51,752,825)
Instructional Student Support	8,886,106	-	2,474,601	-	(6,411,505)	-	(6,411,505)
Administrative and Financial Support Services	9,066,528	-	879,739	-	(8,186,789)	-	(8,186,789)
Operation and Maintenance of Plant Services	8,345,077	-	692,791	-	(7,652,286)	-	(7,652,286)
Pupil Transportation	4,599,598	-	1,231,431	-	(3,368,167)	-	(3,368,167)
Student Activities	2,864,541	-	291,669	-	(2,572,872)	-	(2,572,872)
Community Services	56,721	-	19,233	-	(37,488)	-	(37,488)
Scholarships and Awards	4,500	-	-	-	(4,500)	-	(4,500)
Interest on Long-Term Debt	2,407,785	-	-	1,044,619	(1,363,166)	-	(1,363,166)
Total Governmental Activities	100,361,339	-	17,967,122	1,044,619	(81,349,598)	-	(81,349,598)
Business-type Activities:							
Food Service	2,157,387	1,010,196	1,413,786	-	-	266,595	266,595
Total Primary Government	\$ 102,518,726	\$ 1,010,196	\$ 19,380,908	\$ 1,044,619	(81,349,598)	266,595	(81,083,003)
General Revenues							
Taxes							
Property Taxes Levied for General Purposes, Net					72,800,175	-	72,800,175
Earned Income Taxes					10,534,562	-	10,534,562
Real Estate Transfer Taxes					1,200,743	-	1,200,743
Other Taxes Levied for General Purposes, Net					197,866	-	197,866
Grants, Subsidies and Contributions not Restricted					6,926,563	-	6,926,563
Investment Earnings					1,877,321	41,429	1,918,750
Miscellaneous Income					748,804	-	748,804
Total General Revenues					94,286,034	41,429	94,327,463
Change in Net Position					12,936,436	308,024	13,244,460
Net Position - July 1, 2022 (Restated See Note 16)					(95,043,243)	(480,575)	(95,523,818)
Net Position - June 30, 2023					\$ (82,106,807)	\$ (172,551)	\$ (82,279,358)

See Accompanying Notes

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

Exhibit 3

	General Fund	Capital Projects Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 24,192,087	\$ 8,171,945	\$ 32,364,032
Investments	9,868,616	-	9,868,616
Taxes Receivable, Net	5,047,235	-	5,047,235
Due from Other Funds	15,174	-	15,174
Due from Other Governments	4,629,865	-	4,629,865
Other Receivables	552,207	-	552,207
Prepaid Items	1,544,642	-	1,544,642
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	\$ 45,849,826	\$ 8,171,945	\$ 54,021,771
	<hr/>	<hr/>	<hr/>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Due to Other Funds	\$ -	\$ 1,156	\$ 1,156
Accounts Payable	1,137,734	18,653	1,156,387
Accrued Salaries and Benefits	12,452,176	-	12,452,176
Payroll Deductions and Withholdings	9,860	-	9,860
Unearned Revenues	252,373	-	252,373
	<hr/>	<hr/>	<hr/>
Total Liabilities	13,852,143	19,809	13,871,952
	<hr/>	<hr/>	<hr/>
Deferred Inflows of Resources			
Unavailable Revenues - Property Taxes	3,381,597	-	3,381,597
	<hr/>	<hr/>	<hr/>
Fund Balances			
Nonspendable	1,544,642	-	1,544,642
Committed	6,821,888	-	6,821,888
Assigned	10,123,834	8,152,136	18,275,970
Unassigned	10,125,722	-	10,125,722
	<hr/>	<hr/>	<hr/>
Total Fund Balances	28,616,086	8,152,136	36,768,222
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 45,849,826	\$ 8,171,945	\$ 54,021,771
	<hr/>	<hr/>	<hr/>

See Accompanying Notes

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

Exhibit 4

Total Fund Balances - Governmental Funds		\$ 36,768,222
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 \$185,769,711 and the accumulated depreciation is \$87,631,264.		98,138,447
Intangible right-to-use assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The value of these assets is \$2,593,152 and the accumulated amortization is \$1,536,591.		1,056,561
Property taxes receivable will be collected in the future but are not available soon enough to pay for the current period's expenditures and, therefore, are not reported as assets in governmental funds.		3,381,597
Premiums on bonds issued and refunded are amortized over the life of the bonds as deferred outflows of resources in the statement of net position.		(6,160,814)
Deferred charges on refunding bonds issued are amortized over the life of the bonds as deferred outflows of resources in the statement of net position.		(4,284,254)
The payment to the joint venture career and technical center is capitalized and amortized over the life of the notes in the statement of net position.		855,163
Long-term liabilities, including bonds, financing agreements and leases, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Bonds Payable	\$ (57,400,000)	
Accrued Interest on the Bonds	(1,294,924)	
Lease Payable	(1,049,822)	
Subscription Liabilities	(58,499)	
Notes Payable	(1,203,566)	
Compensated Absences	(4,541,254)	
	(65,548,065)	(65,548,065)

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

Exhibit 4

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

OPEB Liability - PSERS	(5,922,971)	
OPEB Liability - District	(12,016,909)	
Net Pension Liability	<u>(143,437,329)</u>	(161,377,209)

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	21,363,257	
Deferred Inflows of Resources Related to Pensions	(6,715,442)	
Deferred Outflows of Resources Related to OPEB - District	2,815,452	
Deferred Outflows of Resources Related to OPEB - PSERS	1,335,576	
Deferred Inflows of Resources Related to OPEB - District	(1,898,327)	
Deferred Inflows of Resources Related to OPEB - PSERS	<u>(1,836,971)</u>	<u>15,063,545</u>

Total Net Position - Governmental Activities		<u>\$ (82,106,807)</u>
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See Accompanying Notes

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

Exhibit 5

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues			
Local Sources	\$ 87,656,999	\$ 214,057	\$ 87,871,056
State Sources	22,978,822	-	22,978,822
Federal Sources	1,763,578	-	1,763,578
	<u>112,399,399</u>	<u>214,057</u>	<u>112,613,456</u>
Total Revenues	112,399,399	214,057	112,613,456
Expenditures			
Instruction	66,480,606	-	66,480,606
Support Services	31,777,819	299,133	32,076,952
Noninstructional Services	2,946,062	-	2,946,062
Capital Outlay	718,373	211,619	929,992
Debt Service (Principal & Interest)	5,623,113	-	5,623,113
Refunds of Prior Year's Receipts	59,409	-	59,409
	<u>107,605,382</u>	<u>510,752</u>	<u>108,116,134</u>
Total Expenditures	107,605,382	510,752	108,116,134
Excess (Deficiency) of Revenues Over Expenditures	4,794,017	(296,695)	4,497,322
Other Financing Sources (Uses)			
Issuance of Refunding Bonds	-	28,350,000	28,350,000
(Discount) Premium on Bonds Issued	-	3,163,841	3,163,841
Transfers In	-	5,224,434	5,224,434
Lease & Other Right to Use Arrangements	42,280	-	42,280
Sale/Compensation for Fixed Assets	31,765	-	31,765
Insurance Recoveries	458,704	-	458,704
Payment to Refunded Bond Escrow Agent	-	(31,210,511)	(31,210,511)
Transfers Out	(5,224,434)	-	(5,224,434)
	<u>(4,691,685)</u>	<u>5,527,764</u>	<u>836,079</u>
Total Other Financing Sources (Uses)	(4,691,685)	5,527,764	836,079
Net Changes in Fund Balances	102,332	5,231,069	5,333,401
Fund Balances - July 1, 2022	28,513,754	2,921,067	31,434,821
Fund Balances - June 30, 2023	\$ 28,616,086	\$ 8,152,136	\$ 36,768,222

See Accompanying Notes

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

Exhibit 6

Total Net Change in Fund Balances - Governmental Funds \$ 5,333,401

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 of the change between capital outlays and depreciation in the period.

Depreciation Expense	\$ (5,294,831)	
Intangible Right-to-Use Assets Amortization	(530,439)	
Capital Outlays	978,517	
Net Book Value of Capital Assets Retired	(21,654)	(4,868,407)

Because some property taxes and other revenues will not be collected within the current financial resources measurement focus period, they are not considered as "available" revenues in the governmental funds. Unavailable revenues increased by this amount this year. 253,259

Repayment of bond, notes and financing agreements principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 2,171,506

Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balances. In the government-wide financial statements, however, issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities. The proceeds were: (28,350,000)

Payments for the intangible right-to-use assets are reported as principal and interest in governmental funds, but in the statement of activities, the asset is amortized and the repayment reduces the long-term liabilities in the statement of net position. 541,719

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

Exhibit 6

In the statement of activities, certain operating expenses-compensated absences (sick pay and vacations) and other post-employment benefits (OPEB) are measured by the amounts earned during the year. In governmental funds, however, expenditures for the items are measured by the amount of financial resources used (essentially, the amounts actually paid).

Compensated Absences	(41,961)	
Other Post-Employment Benefits- PSERS	320,839	
Other Post-Employment Benefits- District	637,427	916,305

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

Net Change in Accrued Interest on Bonds		(9,772)
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The School District's bonded debt was also reduced by an advance refunding of debt. Resources of (\$31,210,511) were paid to the escrow agent for the advance refunding of outstanding bonds (\$31,330,000). The difference between those amounts was \$119,489 and will be amortized as an adjustment of interest expense in the statement of activities over the remaining life of the new debt.

31,210,511

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.

Bond Premium	(3,163,841)	
Amortization of Bond Premium and Deferred Gain on Refunding	686,925	
Amortization of Intangible Asset of Joint Venture Payment	(146,599)	(2,623,515)

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

District Pension Contributions to PSERS	16,802,499	
Cost of Benefits Earned	(8,441,070)	8,361,429

Change in Net Position of Governmental Activities		<u>\$ 12,936,436</u>
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See Accompanying Notes

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

Exhibit 7

	Food Service Fund
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 1,395,654
Due From Other Governments	9,225
Inventories	28,117
Prepaid Items	<u>8,246</u>
Total Current Assets	<u>1,441,242</u>
Noncurrent Assets	
Furniture and Equipment, Net	<u>62,298</u>
TOTAL ASSETS	<u>1,503,540</u>
DEFERRED OUTFLOWS OF RESOURCES	
Amounts Related to OPEB-PSERS	16,352
Amounts Related to Pensions	<u>271,491</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>287,843</u>
LIABILITIES	
Current Liabilities	
Due to Other Funds	14,018
Unearned Revenues	7,338
Other Current Liabilities	<u>48,291</u>
Total Current Liabilities	<u>69,647</u>
Noncurrent Liabilities	
Net OPEB-PSERS	71,029
Net Pension Liability	<u>1,720,671</u>
Total Noncurrent Liabilities	<u>1,791,700</u>
TOTAL LIABILITIES	<u>1,861,347</u>
DEFERRED INFLOWS OF RESOURCES	
Amounts Related to OPEB-PSERS	22,029
Amounts Related to Pensions	<u>80,558</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>102,587</u>
NET POSITION	
Invested in Capital Assets	62,298
Unrestricted	<u>(234,849)</u>
TOTAL NET POSITION	<u>\$ (172,551)</u>

See Accompanying Notes

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

Exhibit 8

	Food Service Fund
Operating Revenues	
Food Service Revenue	<u>\$ 1,010,196</u>
Operating Expenses	
Salaries	662,613
Employee Benefits	353,292
Purchased Property Services	11,361
Other Purchased Services	18,413
Supplies	1,101,392
Depreciation	5,657
Dues and Fees	3,831
Other Operating Expenditures	<u>828</u>
Total Operating Expenses	<u>2,157,387</u>
Operating Income (Loss)	<u>(1,147,191)</u>
Nonoperating Revenues (Expenses)	
Earnings on Investments	41,429
State Sources	308,464
Federal Sources	<u>1,105,322</u>
Total Nonoperating Revenues (Expenses)	<u>1,455,215</u>
Change in Net Position	308,024
Net Position - July 1, 2022	<u>(480,575)</u>
Net Position - June 30, 2023	<u><u>\$ (172,551)</u></u>

See Accompanying Notes

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

Exhibit 9

	Food Service Fund
Cash Flows From Operating Activities	
Cash Received from Users	\$ 989,194
Cash Payments to Employees for Services	(1,023,130)
Cash Payments to Suppliers for Goods and Services	(1,003,215)
Cash Payments for Other Operating Expenses	<u>(4,659)</u>
Net Cash Provided by (Used for) Operating Activities	<u>(1,041,810)</u>
Cash Flows From Non-Capital Financing Activities	
State Sources	314,554
Federal Sources	<u>1,255,313</u>
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>1,569,867</u>
Cash Flows From Capital and Related Financing Activities	
Facilities Acquisition/Const./Imp.Serv	<u>(41,018)</u>
Cash Flows From Investing Activities	
Earnings on Investments	41,429
Loans Received (Paid)	<u>(80,677)</u>
Net Cash Provided by (Used for) Investing Activities	<u>(39,248)</u>
Net Increase (Decrease) in Cash and Cash Flows	447,791
Cash and Cash Equivalents - July 1, 2022	<u>947,863</u>
Cash and Cash Equivalents - June 30, 2023	<u>\$ 1,395,654</u>

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

Exhibit 9

	Food Service Fund
Operating Income (Loss)	\$ (1,147,191)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities	
Depreciation	5,657
Change in Pensions and OPEB Liability	(7,225)
Donated Commodities	127,128
(Increase) Decrease in Inventories	940
(Increase) Decrease in Prepaid Items	(8,246)
Increase (Decrease) in Accounts Payable	(117)
Increase (Decrease) in Other Current Liabilities	<u>(12,756)</u>
 Total Adjustments	 <u>105,381</u>
 Cash Provided by (Used for) Operating Activities	 <u>\$ (1,041,810)</u>

Noncash Non-Capital Financing Activities

During the year ended June 30, 2023, the School District received \$121,583 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, 2023**

Exhibit 10

	Custodial Fund
ASSETS	
Cash and Cash Equivalents	<u>\$ 238,509</u>
LIABILITIES	<u>-</u>
NET POSITION	
Restricted for:	
Student Groups	<u>238,509</u>
TOTAL NET POSITION	<u>\$ 238,509</u>

See Accompanying Notes

Fox Chapel Area School District
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
June 30, 2023

Exhibit 11

	Custodial Fund
Additions	
Revenue from Student Activities	\$ 335,019
Interest Earnings	<u>4,356</u>
Total Additions	<u>339,375</u>
Deductions	
Student Activities Program Expenses	<u>313,046</u>
Change in Net Position	26,329
Net Position - July 1, 2022	<u>212,180</u>
Net Position - June 30, 2023	<u><u>\$ 238,509</u></u>

See Accompanying Notes

Fox Chapel Area School District
Notes to Financial Statements
June 30, 2023

Note 1 - Summary of Significant Accounting Policies

Fox Chapel Area School District, located in Allegheny County, Pennsylvania, provides public education, kindergarten through twelfth grade, to the residents of the Boroughs of Aspinwall, Blawnox, Fox Chapel and Sharpsburg and the Townships of Indiana and O'Hara. The School District operates under a nine-person elected Board of Directors.

A. Basic Financial Statements - Government-Wide Statements

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

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

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

B. Basic Financial Statements - Fund Financial Statements

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

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

1. Governmental Funds

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

Fox Chapel Area School District
Notes to Financial Statements
June 30, 2023

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

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

2. Proprietary Funds

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

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

3. Fiduciary Funds

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

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

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

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

Fox Chapel Area School District
Notes to Financial Statements
June 30, 2023

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

Fox Chapel Area School District
Notes to Financial Statements
June 30, 2023

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, 2023, was \$625,443 which was paid in the year ended June 30, 2023 to Beattie and reported in the School District's general fund. The School District has no equity interest in Beattie as of June 30, 2023. Complete financial statements for Beattie can be obtained from the administrative offices at 9600 Babcock Boulevard, Allison Park, PA 15101-2091.

E. Cash and Cash Equivalents

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

F. Investments

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

G. Budgets

The School Board approves, prior to the beginning of each year, an annual budget on the modified accrual basis of accounting for the general fund. This is the only fund for which a budget is required and for which taxes may be levied. The general fund is the only fund that has an annual budget that has been legally adopted by the School Board. The Public School Code allows the School Board to authorize budget transfer amendments during the year, but only during the last nine months of the fiscal year. The School Board approved various budget transfers throughout the school year. There were \$5,457,122 of supplemental budgetary appropriations made during the year ended June 30, 2023.

Fox Chapel Area School District
Notes to Financial Statements
June 30, 2023

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

H. Receivables and Payables

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

I. Inventories

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

Inventories in governmental funds are stated at cost by the first-in, first-out method. The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, an estimated value of inventories is reported as an asset in the general fund, if considered material. There was no material inventory balance as of June 30, 2023.

The inventory of the food service fund consists of food supplies and government donated commodities which were valued at estimated fair market value, and purchased commodities and supplies, both valued at cost using the first-in, first-out (FIFO) method. Any unused commodities donated by the federal government at June 30, 2023 are reported as unearned revenue.

J. Prepaid Items

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

K. Capital Assets

Capital assets, which include property, plant, equipment and land improvements are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Management has elected to include certain homogeneous asset categories with individual assets less than \$5,000 as composite groups for financial reporting purposes. In addition, capital assets purchased with long-term debt may be capitalized regardless of the thresholds established. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Fox Chapel Area School District
Notes to Financial Statements
June 30, 2023

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

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

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

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

L. Intangible Right-to-Use Assets

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

M. Deferred Outflows/Inflows of Resources

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

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

Fox Chapel Area School District
Notes to Financial Statements
June 30, 2023

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

N. Long-Term Obligations

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

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

O. Compensated Absences

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

P. Defining Operating Revenues and Expenses

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

Q. Equity Classifications

Government-Wide Statements

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

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

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

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

Fox Chapel Area School District
Notes to Financial Statements
June 30, 2023

Fund Statements - Fund Balance

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

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

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

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

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

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

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

The purposes of the nonspendable, committed and assigned fund balances as of June 30, 2023, are as follows:

General Fund

1. Nonspendable fund balance of \$1,544,642 is for prepaid items.
2. The committed fund balance of \$6,821,888 is for the following purposes:

a. Employer Retirement Future Increases	\$6,805,782
b. Arts Grants	<u>16,106</u>
	<u>\$6,821,888</u>
3. The assigned fund balance of \$10,123,834 is for future capital projects and/or improvements in the amount of \$10,000,000 and for athletic activities in the amount of \$123,834.

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

Capital Projects Fund

The assigned fund balance of \$8,152,136 in the capital projects fund is assigned for future capital projects district-wide in the amount of \$7,549,273 and for athletic capital development in the amount of \$602,863.

Note 2 - Deposits and Investments

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

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in an event of a bank failure, the government's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. Deposits in excess of amounts covered by the Federal Deposit Insurance Corporation are collateralized in accordance with Act 72 of 1971 of the Pennsylvania State Legislature which requires the institution to pool collateral for all governments and have the collateral held by an approved custodian in the institution's name. As of June 30, 2023, \$22,978,423 of the School District's bank balance of \$23,728,423 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>\$22,978,423</u>

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

Investments	Fair Value
PLGIT	\$ 9,680,686
PSDLAF	11,512,833
First American Government Obligation Fund	6,406
PA Invest	465,894
	\$ 21,665,819

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, 2023.

Fox Chapel Area School District
Notes to Financial Statements
June 30, 2023

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

Investments

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

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

Fair Value of Investments

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

The School District has no investments that require disclosure as of June 30, 2023 under this hierarchy.

Note 3 - Real Estate Taxes

The municipal tax collectors bill and collect real estate taxes on behalf of the School District based upon assessed values provided by the County. The School District's tax rate for all purposes in 2022/2023 was 20.4288 mills (\$20.4288 per \$1,000 assessed valuation). The tax calendar for real estate taxes levied for 2022/2023 is as follows:

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

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

Fox Chapel Area School District
Notes to Financial Statements
June 30, 2023

The amounts shown as delinquent real estate taxes receivable have not been recorded as revenue on the fund statements. These taxes are, however, recorded as 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 \$3,381,597, net of estimated uncollectible accounts, along with other taxes receivable of \$1,665,638.

Note 4 - Due from Other Governments

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

	Governmental Funds	Enterprise Funds	Totals
Federal (through the state)	\$ 105,729	\$ 7,296	\$ 113,025
State	4,524,136	1,929	4,526,065
	<u>\$ 4,629,865</u>	<u>\$ 9,225</u>	<u>\$ 4,639,090</u>

Note 5 - Capital Assets

Capital asset activity for the year ended June 30, 2023, was as follows:

	Balance 07/01/22	Additions	Deletions/ Transfers	Balance 06/30/23
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 2,413,944	\$ -	\$ -	\$ 2,413,944
Construction in Progress	-	211,619	-	211,619
Total Capital Assets not Being Depreciated	<u>2,413,944</u>	<u>211,619</u>	<u>-</u>	<u>2,625,563</u>
Capital Assets Being Depreciated				
Land Improvements	15,802,561	-	-	15,802,561
Buildings and Building Improv.	159,191,636	527,762	-	159,719,398
Furniture and Equipment	7,938,540	239,136	(555,487)	7,622,189
Total Capital Assets Being Depreciated	<u>182,932,737</u>	<u>766,898</u>	<u>(555,487)</u>	<u>183,144,148</u>
Less Accumulated Depreciation				
Land Improvements	7,247,576	598,578	-	7,846,154
Buildings and Building Improv.	69,623,465	4,362,196	-	73,985,661
Furniture and Equipment	5,999,225	334,057	(533,833)	5,799,449
Total Accumulated Depreciation	<u>82,870,266</u>	<u>5,294,831</u>	<u>(533,833)</u>	<u>87,631,264</u>
Total Capital Assets Being Depreciated, Net	<u>100,062,471</u>	<u>(4,527,933)</u>	<u>(21,654)</u>	<u>95,512,884</u>
Governmental Activities Capital Assets, Net	<u>\$ 102,476,415</u>	<u>\$ (4,316,314)</u>	<u>\$ (21,654)</u>	<u>\$ 98,138,447</u>

Fox Chapel Area School District
Notes to Financial Statements
June 30, 2023

	Balance 07/01/22	Additions	Deletions/ Transfers	Balance 06/30/23
Business-Type Activities				
Furniture and Equipment	\$ 616,655	\$ 41,018	\$ -	\$ 657,673
Less Accumulated Depreciation and Equipment	<u>589,718</u>	<u>5,657</u>	<u>-</u>	<u>595,375</u>
Business-Type Activities Capital Assets, Net	<u><u>\$ 26,937</u></u>	<u><u>\$ 35,361</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 62,298</u></u>
Governmental Activities				
Intangible Right-to-use Assets:				
Leased Equipment	\$ 2,478,467	\$ -	\$ -	\$ 2,478,467
Subscription Assets	<u>94,480</u>	<u>42,280</u>	<u>22,075</u>	<u>114,685</u>
Intangible Right-to-use Assets:	<u>2,572,947</u>	<u>42,280</u>	<u>22,075</u>	<u>2,593,152</u>
Less Accumulated Amortization				
Leased Equipment	991,387	495,693	-	1,487,080
Subscription Assets	<u>36,840</u>	<u>34,746</u>	<u>22,075</u>	<u>49,511</u>
Total Accumulated Amortization	<u>1,028,227</u>	<u>530,439</u>	<u>22,075</u>	<u>1,536,591</u>
Net Intangible Right-to-use Assets	<u><u>\$ 1,544,720</u></u>	<u><u>\$ (488,159)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,056,561</u></u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities

Instruction	\$ 4,594,211
Instructional Student Support	21,843
Administration and Financial Support Services	268,638
Operation and Maintenance of Plant Services	177,115
Student Activities	<u>233,024</u>

Total Depreciation Expense \$ 5,294,831

Business-Type Activities

Food Service	<u><u>\$ 5,657</u></u>
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Governmental Activities

Intangible Right-to-use Assets:

Instructional Student Support	\$ 24,135
Administration and Financial Support Services	<u>506,304</u>

Total Amortization Expense \$ 530,439

Fox Chapel Area School District
Notes to Financial Statements
June 30, 2023

Note 6 - Interfund Balances and Transfers

At June 30, 2023, interfund balances were:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 15,174	\$ -
Food Service	-	14,018
Capital Projects Fund	-	1,156
	<u>\$ 15,174</u>	<u>\$ 15,174</u>

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

For the year ended June 30, 2023, interfund transfers consisted of the general fund transferring \$5,224,434 to the capital projects fund to fund capital projects.

Note 7 - Long-Term Liabilities

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

	Balance 07/01/22	Additions	Reductions	Balance 06/30/23	Due Within One Year
Governmental Activities					
Bonds Payable					
General Obligation Bonds	\$ 62,330,000	\$ 28,350,000	\$ 33,280,000	\$ 57,400,000	\$ 1,740,000
Plus: Bond Premium	7,848,663	3,163,841	4,851,690	6,160,814	-
Total Bonds Payable	<u>70,178,663</u>	<u>31,513,841</u>	<u>38,131,690</u>	<u>63,560,814</u>	<u>1,740,000</u>
General Obligation Notes	1,378,616	-	175,050	1,203,566	183,608
Financing Agreements	46,456	-	46,456	-	-
Compensated Absences	4,499,293	41,961	-	4,541,254	-
Governmental Activities					
Long-Term Liabilities	<u>\$ 76,103,028</u>	<u>\$ 31,555,802</u>	<u>\$ 38,353,196</u>	<u>\$ 69,305,634</u>	<u>\$ 1,923,608</u>
Lease Liabilities	<u>\$ 1,552,360</u>	<u>\$ -</u>	<u>\$ 502,538</u>	<u>\$ 1,049,822</u>	<u>\$ 517,309</u>
Subscription Asset Liabilities	<u>\$ 55,400</u>	<u>\$ 42,280</u>	<u>\$ 39,181</u>	<u>\$ 58,499</u>	<u>\$ 31,832</u>
Total Long-Term Obligations as Reported in the Statement of Net Position				<u>\$ 70,413,955</u>	<u>\$ 2,472,749</u>

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

General Obligation Bonds

Capital Projects - \$28,350,000 Issue of 2022; due in annual installments through August 1, 2034; interest due semi-annually at 5.0%	\$ 28,350,000
Capital Projects - \$29,075,000 Issue of 2017; due in annual installments through February 1, 2042; interest due semi-annually at 1.05% to 5.0%	<u>29,050,000</u>
	<u>\$ 57,400,000</u>

General Obligation Note

\$2,297,434 Series of 2016; due in annual installments through October 15, 2028; interest due semi-annually at 0.50% to 5.0%	<u>\$ 1,203,566</u>
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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, 2023, including interest, are as follows:

Year Ended June 30,	General Obligation Bonds		General Obligation Notes		Totals
	Principal	Interest	Principal	Interest	
2024	\$ 1,740,000	\$ 2,938,442	\$ 183,608	\$ 31,571	\$ 4,893,621
2025	1,960,000	2,720,073	192,944	22,157	4,895,174
2026	2,060,000	2,619,702	200,724	15,327	4,895,753
2027	2,165,000	2,514,207	204,614	11,273	4,895,094
2028	2,275,000	2,403,338	208,504	7,012	4,893,854
2029-2033	13,245,000	10,144,425	213,172	2,398	23,604,995
2034-2038	17,640,000	6,695,788	-	-	24,335,788
2039-2042	16,315,000	1,968,000	-	-	18,283,000
	<u>\$57,400,000</u>	<u>\$ 32,003,975</u>	<u>\$ 1,203,566</u>	<u>\$ 89,738</u>	<u>\$ 90,697,279</u>

On December 29, 2022, the School District issued \$28,350,000 Series 2022 bonds with interest rates at 5.0% to refund the outstanding 2013 general obligation bonds (\$31,330,000) with interest rates from 0.50% to 5.0%. The net proceeds of \$31,210,511 (after payment of issuance costs) were used to currently refund the above bonds and outstanding interest. As a result, those bonds are considered defeased and the liability for those bonds has been removed as a liability in these financial statements.

Fox Chapel Area School District
Notes to Financial Statements
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The School District currently refunded the 2013 Series bonds to reduce its total debt service payments over twelve years by \$3,800,750 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$3,179,444.

Note 8 – Lease Liabilities

The School District entered into an agreement to lease copiers on June 8, 2020. The terms of the lease are for five years requiring original monthly payments of \$42,000 and amended to \$45,076 on July 1, 2021. The lease agreement qualifies as other than short-term lease under GASB 87 and, therefore, has been recorded at present value of the future minimum lease payments as of the date of the inception. For purposes of discounting future payments, the School District determined an interest rate of 2.9% to be an appropriate discount rate. As of June 30, 2023, the value of the lease liability recorded for the above lease was \$1,049,822. As a result, the School District has recorded an Intangible Right-to-Use asset with a net book value of \$991,387 as of June 30, 2023. Future minimum lease payments under this lease are as follows:

Year Ended	Lease Payable		Totals
June 30,	Principal	Interest	
2024	\$ 517,309	\$ 23,605	\$ 540,914
2025	532,513	8,402	540,915
	\$ 1,049,822	\$ 32,007	\$ 1,081,829

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

A. Summary of Significant Accounting Policies

Pensions

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

B. General Information about the Pension Plan

1. Plan Description

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

Fox Chapel Area School District
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2. Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service.

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

Benefits are generally between 1% to 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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

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

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

3. Contributions

Member Contributions

Member Contribution Rates				
Membership Class	Continuous Employment Since	Defined Benefit (DB) Contribution Rate	DC Contribution Rate	Total Contribution Rate
T-C	Prior to July 22, 1983	5.25%	N/A	5.25%/6.25%
T-C	On or after July 22, 1983	6.25%	N/A	6.25%
T-D	Prior to July 22, 1983	6.50%	N/A	6.50%
T-D	On or after July 22, 1983	7.50%	N/A	7.50%
T-E	On or after July 1, 2011	7.50% base rate with shared risk provision	N/A	Prior to 7/1/21: 7.50% After 7/1/21: 8.00%
T-F	On or after July 1, 2011	10.30% base rate with shared risk provision	N/A	Prior to 7/1/21: 10.30% After 7/1/21: 10.80%
T-G	On or after July 1, 2019	5.50% base rate with shared risk provision	2.75%	Prior to 7/1/21: 8.25% After 7/1/21: 9.00%
T-H	On or after July 1, 2019	4.50% base rate with shared risk provision	3.00%	Prior to 7/1/21: 7.50% After 7/1/21: 8.25%
DC	On or after July 1, 2019	N/A	7.50%	7.50%

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

Employer Contributions

The School District's contractually required contribution rate for fiscal year ended June 30, 2023 was 34.51% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School District were \$17,019,280 for the year ended June 30, 2023.

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

At June 30, 2023, the School District reported a liability of \$145,158,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2021 to June 30, 2022. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2023, the School District's proportion was 0.3265%, which was an increase of 0.0002% from its proportion measured as of June 30, 2022.

Fox Chapel Area School District
Notes to Financial Statements
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For the year ended June 30, 2023, the School District recognized pension expense of \$8,649,849. At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 66,000	\$ 1,255,000
Net difference between projected and actual investment earnings	-	2,462,000
Change in assumptions	4,335,000	-
Changes in proportions	69,000	3,079,000
Difference between employer contributions and proportionate share of total contributions	145,469	-
Contributions subsequent to the measurement date	<u>17,019,279</u>	<u>-</u>
	<u>\$21,634,748</u>	<u>\$ 6,796,000</u>

\$17,019,279 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2024	\$ (1,026,890)
2025	(896,897)
2026	(3,720,590)
2027	<u>3,463,846</u>
	<u>\$ (2,180,531)</u>

1. Changes in Actuarial Assumptions

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

- Valuation Date - June 30, 2021
- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 7.00%, includes inflation at 2.75%.

**Fox Chapel Area School District
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- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- The discount rate used to measure the Total Pension Liability was 7.00% as of June 30, 2021 and as of June 30, 2022.
- Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation:
 - Salary growth rate – decreased from 5.00 % to 4.50%
 - Real wage growth and merit or seniority increases (components for salary growth) decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.
 - Mortality rates – Previously based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

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

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

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

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

**Fox Chapel Area School District
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The above table was the Board’s adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2022.

2. Discount Rate

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

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

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

	(In Thousands)		
	1.00%	Current	1.00%
	Decrease	Discount Rate	Increase
	6.00%	7.00%	8.00%
School District's proportionate share of the net pension liability	\$ 187,752	\$ 145,158	\$ 109,246

4. Pension Plan Fiduciary Net Position

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

Note 10 - Tax Shelter Annuity

Under the current Act 93 agreement which is effective for the period July 1, 2021 through June 30, 2026, the School District will contribute \$1 for every \$2 contributed into a tax-sheltered annuity of the employee’s choice. The maximum per employee board contribution in each year of the agreement shall not exceed \$7,000. The total contributed by the School District in the year ended June 30, 2023, was \$105,200.

Fox Chapel Area School District
Notes to Financial Statements
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Note 11 - Contingent Liabilities

Fox Chapel Area School District participates in a number of federally assisted grant programs, principal of which are Education Stabilization Fund and National School Lunch Program. The programs are subject to program compliance audits by the grantors or their representatives. The audits of some of these programs for and including the year ended June 30, 2023 have not yet been conducted. Accordingly, the School District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the School District expects such amounts, if any, to be immaterial.

Note 12 - Other Post-Employment Benefit Plan

A. Plan Description

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

B. Funding Policy

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

1) Medical Benefits

For all Employees Eligible for Benefits

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

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

Current Incentive

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

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

Fox Chapel Area School District
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Prior Incentives

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

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

Contributions

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

Benefit Duration

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

2) Life Insurance

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

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3) Dental/Vision

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

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

4) Long-Term Disability

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

5) Employees Covered by Benefit Terms

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

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

C. Total OPEB Liability

The School District's total OPEB liability of \$12,016,909 was measured as of July 1, 2022 and was determined by an actuarial valuation performed as of July 1, 2021.

D. Actuarial Methods and Assumptions

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

Inflation	3.00%
Salary Increases	2.50%
Discount Rate	3.54%
Healthcare Cost Trend Rates	7.00% for 2022/2023 decreasing by 0.50% through 2032

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

Mortality rates were based on the Pri.H-2012 Total Dataset Mortality Table projected using Scale MP-2021.

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

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E. Change in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2022	\$ 13,824,141
Changes for the year:	
Service Cost	348,500
Interest	298,601
Changes of assumptions or other inputs	(1,259,660)
Benefit Payments	<u>(1,194,673)</u>
Net Changes	<u>(1,807,232)</u>
Balance at June 30, 2023	<u><u>\$ 12,016,909</u></u>

F. Changes of Assumptions and Other Inputs

- Updated the discount rate from 2.16% to 3.54%.
- Updated the mortality improvement scale and table.

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 (2.54%) or one percentage point higher (4.54%) than the current discount rate:

	1.00% Decrease 2.54%	Current Discount Rate 3.54%	1.00% Increase 4.54%
Total OPEB Liability	\$ 12,924,403	\$ 12,016,909	\$ 11,191,973

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	\$ 11,187,497	\$ 12,016,909	\$ 12,955,765

Fox Chapel Area School District
Notes to Financial Statements
June 30, 2023

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

For the year ended June 30, 2023, the School District recognized OPEB gain of \$637,427. At June 30, 2023, the School District reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ 915,289	\$ 1,898,327
Difference between expected and actual experience	611,115	-
Benefit payments subsequent to the measurement date	<u>1,289,048</u>	<u>-</u>
	<u>\$ 2,815,452</u>	<u>\$ 1,898,327</u>

The \$1,289,048 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,		
2024	\$	4,520
2025		4,520
2026		4,520
2027		4,520
2028		4,520
Thereafter		<u>(394,523)</u>
		<u>\$ (371,923)</u>

Note 13 - Other Post-Employment Benefits - PSERS

A. Summary of Significant Accounting Policies

Other Post-Employment Benefits

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

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B. General Information about the Health Insurance Premium Assistance Program

1. Health Insurance Premium Assistance Program

The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2022, there were no assumed future benefit increases to participating eligible retirees.

2. Premium Assistance Eligibility Criteria

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

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age

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

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

3. Pension Plan Description

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

4. Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program.

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Notes to Financial Statements
June 30, 2023

Employer Contributions

The School District’s contractually required contribution rate for fiscal year ended June 30, 2023 was 0.75% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the School District were \$372,033 for the year ended June 30, 2023.

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

At June 30, 2023, the School District reported a liability of \$5,994,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System’s total OPEB liability as of June 30, 2021 to June 30, 2022. The School District’s proportion of the net OPEB liability was calculated utilizing the employer’s one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2023, the School District’s proportion was 0.3256%, which was no change from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the School District recognized OPEB expense of \$51,971.

At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 55,000	\$ 32,000
Changes in assumptions	665,000	1,416,000
Net difference between projected and actual investment earnings	16,000	-
Changes in proportions	238,000	411,000
Difference between employer contributions and proportionate share of total contributions	5,894	-
Contributions subsequent to the measurement date	<u>372,034</u>	<u>-</u>
	<u>\$ 1,351,928</u>	<u>\$ 1,859,000</u>

\$372,034 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024.

Fox Chapel Area School District
Notes to Financial Statements
June 30, 2023

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	
2024	\$ (275,343)
2025	(24,543)
2026	(169,392)
2027	(194,828)
2028	<u>(215,000)</u>
	<u>\$ (879,106)</u>

1. Actuarial Assumptions

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

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return – 4.09 %, S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Mortality Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate pre age 65 at 50%.
 - Eligible retirees will elect to participate post age 65 at 70%.

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

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2020 determined the employer contribution rate for fiscal year 2022.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: The actual data for retirees benefiting under the Plan as of June 30, 2021 was used in lieu of the 63% utilization assumption for eligible retirees.
- Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Improvement Scale.

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	<u>100%</u>	0.5%

The above table was the Board’s adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2022.

2. Discount Rate

The discount rate used to measure the Total OPEB Liability was 4.09%. Under the plan’s funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan’s fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a “pay-as-you-go” plan. A discount rate of 4.09% which represents the S&P 20 year Municipal Bond Rate at June 30, 2022, was applied to all projected benefit payments to measure the total OPEB liability.

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2022, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2022, 93,293 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2022, 582 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the System net OPEB liability for June 30, 2022, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if its health cost trends were 1 percentage point lower or 1 percentage point higher than the current rate:

Fox Chapel Area School District
Notes to Financial Statements
June 30, 2023

	(In Thousands)		
	1.00% Decrease	Current Trend Rate	1.00% Increase
System net OPEB Liability	\$ 5,993	\$ 5,994	\$ 5,994

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

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

	(In Thousands)		
	1.00% Decrease 3.09%	Current Discount Rate 4.09%	1.00% Increase 5.09%
School District's proportionate share of the net OPEB liability	\$ 6,778	\$ 5,994	\$ 5,337

5. OPEB Plan Fiduciary Net Position

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

Note 14 - Risk Management

The School District is one of forty-six members of the Allegheny County Schools Health Insurance Consortium (Consortium) which purchases health benefits on behalf of participating public school districts. The School District is billed monthly based on employee count and coverage information at rates established by the Consortium at the beginning of each fiscal year. As the Consortium is self-insured, rates are established with the objective of satisfying estimated claims and other costs, as well as maintaining working capital requirements. Contributions to the Consortium totaled \$10,768,798 and \$10,227,358 for the years ended June 30, 2023 and 2022, respectively.

Participating school districts are permitted to withdraw from the Consortium under terms specified in the agreement. Withdrawing participants are entitled to or responsible for a proportionate share of the Consortium net position or deficiency in net position, respectively, as determined on the fiscal year-end date after withdrawal. As of June 30, 2023, the net position of the Consortium was \$43,578,886 of which \$1,290,476 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.

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June 30, 2023

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

Note 15 - On-Behalf Payments

The amounts recognized for revenues and expenditures for on-behalf payments relating to fringe benefits for the year ended June 30, 2023, were \$10,561,801.

This includes \$8,733,540 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 \$1,828,261 to the federal government for social security and Medicare taxes for the year ended June 30, 2023. The School District pays these on-behalf payments directly to PSERS and the government and is reimbursed by the Commonwealth for their appropriate share.

Note 16 – Prior Period Restatement

As a result of the implementation of GASB Statement No. 96 “Subscription-Based Information Technology Arrangements”, the School District made a prior period adjustment to record the value of the right-to-use asset net of accumulated amortization \$57,640 and the associated lease liability (\$55,400) as of July 1, 2022. This prior period adjustment and its effect on Net Position at July 1, 2022 was an increase in Governmental Activities net position of \$2,240 restating the net position reported in the prior period financial statements of (\$95,045,483) to (\$95,043,243).

Note 17 – Subscription-Based Information Technology Arrangement Liabilities

The School District entered into a subscription-based information technology arrangement for various software. The arrangement was revalued under the provisions of GASB Statement No. 96 “*Subscription-Based Information Technology Arrangements*” and therefore, has been recorded at present value of the future minimum payments as of the date of its inception. For purposes of discounting future payments, the School District determined an interest rate of 2.9% to be an appropriate discount rate.

As of June 30, 2023, the value of the subscription liability recorded for the above agreement was \$58,499. As a result, the School District has recorded an Intangible Right-to-Use asset with a net book value of \$65,174 as of June 30, 2023. Future minimum subscription payments under this agreement are as follows:

Year Ended June 30,	Subscription Payable		Totals
	Principal	Interest	
2024	\$ 31,832	\$ 1,697	\$ 33,529
2025	8,277	773	9,050
2026	8,877	533	9,410
2027	9,513	276	9,789
	<u>\$ 58,499</u>	<u>\$ 3,279</u>	<u>\$ 61,778</u>

Note 18 – Construction Commitment

As of June 30, 2023, the School District had construction commitments of approximately \$627,000 for the turf fields renovation. It is anticipated that the project will be completed in the 2023/24 fiscal year.

**REQUIRED SUPPLEMENTARY
INFORMATION SECTION**

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

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local Sources				
Taxes				
Current Real Estate Taxes	\$ 70,535,247	\$ 70,535,247	\$ 70,853,280	\$ 318,033
Interim Real Estate Taxes	40,000	40,000	64,342	24,342
Public Utility Realty Taxes	74,000	76,551	76,551	-
Payments in Lieu of Current Taxes	17,000	17,000	24,326	7,326
Local Services Taxes	100,100	100,100	96,989	(3,111)
Earned Income Taxes	8,285,000	8,285,000	9,952,514	1,667,514
Real Estate Transfer Taxes	1,000,000	1,000,000	1,200,743	200,743
Delinquencies on Taxes	2,700,000	2,700,000	2,270,751	(429,249)
Earnings on Investments	50,000	1,535,246	1,663,264	128,018
Other Local Revenues				
Revenue from Student Activities	221,000	213,570	261,718	48,148
State Revenues from IU	-	3,613	3,894	281
Federal Revenues from IU	555,340	668,282	667,610	(672)
Contributions & Donations from Private Sources	60,500	106,781	113,189	6,408
Rentals	35,000	44,500	59,989	15,489
Tuition from other LEAs	69,000	69,000	53,195	(15,805)
Svcs. Prov. Other Local Gov't. Units	135,000	143,168	96,298	(46,870)
Refund of Prior Year's Expenditures	50,000	50,000	166,777	116,777
Miscellaneous Revenue	61,500	66,500	31,569	(34,931)
Total Revenues from Local Sources	<u>83,988,687</u>	<u>85,654,558</u>	<u>87,656,999</u>	<u>2,002,441</u>
State Sources				
Basic Instructional & Oper. Subsidies				
Basic Instructional Subsidy	4,182,000	4,958,888	4,958,888	-
Tuition	-	-	41,182	41,182
Subsidies for Spec. Educ. Programs				
Special Education of Excep. Pupils	2,450,000	2,662,794	2,662,794	-
Subsidies for Noneduc. Programs				
Transportation (Regular & Additional)	1,530,000	1,214,620	1,208,134	(6,486)
Rentals & Sinking Fund Payments	1,037,000	1,037,000	1,044,619	7,619
Ready to Learn Block Grant	205,030	205,030	205,030	-
Health Services	80,000	78,077	78,077	-
State Property Tax Reduction	1,854,486	1,854,486	1,854,486	-
Other State Revenue	-	364,614	364,614	-

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

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Safe Schools Grant	-	136,031	136,031	-
Social Security Payments	1,875,500	1,875,500	1,803,163	(72,337)
State Retirement Revenue	<u>8,775,000</u>	<u>8,775,000</u>	<u>8,621,804</u>	<u>(153,196)</u>
Total Revenues from State Sources	<u>21,989,016</u>	<u>23,162,040</u>	<u>22,978,822</u>	<u>(183,218)</u>
Federal Sources				
Restricted Grants-In-Aid from the Fed. Gov't. through the Commonwealth				
Title I	426,000	428,683	428,683	-
Title II	73,859	88,087	88,087	-
Title III	1,250	3,320	3,320	-
Title IV	-	32,571	32,571	-
Elementary & Secondary School				
Emergency Relief Fund (ESSER II)	-	75,589	75,589	-
ARP ESSER- Elementary & Secondary				
School Emergency Relief (ESSER III)	859,291	737,041	737,044	3
ARP ECF Emergency Connectivity Fund	-	-	3,608	3,608
ARP ESSER Learning Loss	106,831	99,001	99,001	-
ARP ESSER Summer Program	34,788	34,788	34,788	-
ARP ESSER After School	-	12,743	12,743	-
Other CARES Act Funding	-	361	361	-
Medical Assistance - Access	247,773	240,730	240,730	-
Medical Assistance - Admin.	<u>4,000</u>	<u>3,330</u>	<u>7,053</u>	<u>3,723</u>
Total Revenues from Federal Sources	<u>1,753,792</u>	<u>1,756,244</u>	<u>1,763,578</u>	<u>7,334</u>
Total Revenues	<u>107,731,495</u>	<u>110,572,842</u>	<u>112,399,399</u>	<u>1,826,557</u>
Other Financing Sources				
Insurance Recoveries	-	458,704	458,704	-
Sale of Capital Assets	70,000	34,839	31,765	(3,074)
Lease & Other Right to Use Arrangements	<u>-</u>	<u>-</u>	<u>42,280</u>	<u>42,280</u>
Total Other Financing Sources	<u>70,000</u>	<u>493,543</u>	<u>532,749</u>	<u>39,206</u>
Total Revenues and Other Financing Sources	<u>107,801,495</u>	<u>111,066,385</u>	<u>112,932,148</u>	<u>1,865,763</u>

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

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Instruction				
Regular Programs				
Personal Services				
Salaries	29,536,981	29,534,319	29,484,141	50,178
Employee Benefits	18,167,259	18,120,485	18,063,937	56,548
Purchased Prof. and Tech. Services	1,109,260	1,149,376	1,212,421	(63,045)
Purchased Property Services	52,336	51,991	42,709	9,282
Other Purchased Services	837,218	848,485	784,860	63,625
Supplies	1,083,191	1,161,391	1,104,693	56,698
Property	138,087	242,297	219,148	23,149
Other Objects	31,543	36,527	36,312	215
Total Regular Programs	<u>50,955,875</u>	<u>51,144,871</u>	<u>50,948,221</u>	<u>196,650</u>
Special Programs				
Personal Services				
Salaries	6,622,448	6,802,233	6,433,349	368,884
Employee Benefits	4,208,763	4,245,050	4,037,284	207,766
Purchased Prof. and Tech. Services	1,144,515	1,593,072	1,390,181	202,891
Purchased Property Services	16,000	16,000	21,038	(5,038)
Other Purchased Services	2,176,170	2,181,248	2,012,751	168,497
Supplies	41,137	49,745	44,968	4,777
Property	7,800	6,610	-	6,610
Other Objects	3,595	4,321	7,196	(2,875)
Total Special Programs	<u>14,220,428</u>	<u>14,898,279</u>	<u>13,946,767</u>	<u>951,512</u>
Vocational Education Programs				
Other Purchased Services	<u>649,600</u>	<u>669,600</u>	<u>673,163</u>	<u>(3,563)</u>
Other Instructional Programs				
Personal Services				
Salaries	342,600	367,734	371,330	(3,596)
Employee Benefits	177,024	182,949	201,133	(18,184)
Purchased Prof. and Tech. Services	29,500	21,000	3,800	17,200
Other Purchased Services	64,500	54,513	47,014	7,499
Supplies	31,000	53,660	46,915	6,745
Total Other Instructional Programs	<u>644,624</u>	<u>679,856</u>	<u>670,192</u>	<u>9,664</u>

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

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Nonpublic School Programs				
Purchased Prof. and Tech. Services	15,000	10,061	9,055	1,006
Supplies	-	1,138	1,364	(226)
Total Nonpublic School Programs	<u>15,000</u>	<u>11,199</u>	<u>10,419</u>	<u>780</u>
Pre-Kindergarten				
Personal Services				
Salaries	167,172	167,172	148,275	18,897
Employee Benefits	90,922	90,920	82,840	8,080
Supplies	1,221	1,221	729	492
Total Pre-Kindergarten	<u>259,315</u>	<u>259,313</u>	<u>231,844</u>	<u>27,469</u>
Total Instruction	<u>66,744,842</u>	<u>67,663,118</u>	<u>66,480,606</u>	<u>1,182,512</u>
Support Services				
Pupil Personnel				
Personal Services				
Salaries	2,300,361	2,300,361	2,316,147	(15,786)
Employee Benefits	1,447,229	1,448,229	1,459,163	(10,934)
Purchased Prof. and Tech. Services	280,186	280,186	252,952	27,234
Purchased Property Services	20,000	26,061	34,693	(8,632)
Other Purchased Services	3,425	3,514	764	2,750
Supplies	180,124	230,754	219,212	11,542
Property	23,300	44,990	72,576	(27,586)
Other Objects	67,720	67,320	70,200	(2,880)
Total Pupil Personnel	<u>4,322,345</u>	<u>4,401,415</u>	<u>4,425,707</u>	<u>(24,292)</u>
Instructional Staff				
Personal Services				
Salaries	1,935,126	1,977,157	1,940,447	36,710
Employee Benefits	1,225,984	1,244,017	1,251,352	(7,335)
Purchased Prof. and Tech. Services	87,174	334,063	300,545	33,518
Purchased Property Services	54,500	37,361	27,078	10,283
Other Purchased Services	15,200	18,592	12,618	5,974

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

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Supplies	481,746	309,376	232,615	76,761
Property	109,175	824,903	757,909	66,994
Other Objects	5,518	5,537	3,201	2,336
Total Instructional Staff	3,914,423	4,751,006	4,525,765	225,241
Administration				
Personal Services				
Salaries	3,518,743	3,548,743	3,427,389	121,354
Employee Benefits	1,865,473	1,835,771	1,756,066	79,705
Purchased Prof. and Tech. Services	966,560	988,280	866,530	121,750
Purchased Property Services	3,085	3,205	5,009	(1,804)
Other Purchased Services	85,154	86,063	81,882	4,181
Supplies	108,024	124,879	102,462	22,417
Property	7,000	22,330	16,043	6,287
Other Objects	122,245	126,137	235,061	(108,924)
Total Administration	6,676,284	6,735,408	6,490,442	244,966
Pupil Health				
Personal Services				
Salaries	481,939	481,939	440,793	41,146
Employee Benefits	291,051	291,287	265,460	25,827
Purchased Prof. and Tech. Services	26,200	26,200	52,743	(26,543)
Purchased Property Services	1,701	1,701	1,389	312
Other Purchased Services	120	120	-	120
Supplies	12,323	12,307	13,301	(994)
Property	-	-	1,715	(1,715)
Other Objects	675	675	650	25
Total Pupil Health	814,009	814,229	776,051	38,178
Business				
Personal Services				
Salaries	394,866	394,866	427,321	(32,455)
Employee Benefits	256,899	256,899	272,402	(15,503)
Purchased Prof. and Tech. Services	65,900	65,900	55,923	9,977
Purchased Property Services	577,623	27,623	142,038	(114,415)
Other Purchased Services	150	150	290	(140)
Supplies	202,650	223,121	224,380	(1,259)

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

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Property	-	5,000	4,639	361
Other Objects	6,960	11,960	12,740	(780)
Total Business	<u>1,505,048</u>	<u>985,519</u>	<u>1,139,733</u>	<u>(154,214)</u>
Oper. and Maint. of Plant Svcs.				
Personal Services				
Salaries	3,472,992	3,472,992	3,214,565	258,427
Employee Benefits	2,302,512	2,302,469	2,159,823	142,646
Purchased Prof. and Tech. Services	346,000	341,000	299,889	41,111
Purchased Property Services	777,965	777,965	791,602	(13,637)
Other Purchased Services	283,480	283,480	286,009	(2,529)
Supplies	1,563,492	1,585,087	1,729,537	(144,450)
Property	266,950	330,709	324,265	6,444
Other Objects	5,600	5,600	4,151	1,449
Total Oper. and Maint. of Plant Svcs.	<u>9,018,991</u>	<u>9,099,302</u>	<u>8,809,841</u>	<u>289,461</u>
Student Transportation Services				
Personal Services				
Salaries	112,772	112,772	109,860	2,912
Employee Benefits	72,041	72,018	69,700	2,318
Purchased Prof. and Tech. Services	4,673,528	4,673,528	4,440,860	232,668
Other Purchased Services	18,400	18,400	-	18,400
Other Objects	200	200	178	22
Total Student Transportation Services	<u>4,876,941</u>	<u>4,876,918</u>	<u>4,620,598</u>	<u>256,320</u>
Central				
Personal Services				
Salaries	238,827	231,827	230,990	837
Employee Benefits	168,301	168,314	167,035	1,279
Purchased Prof. and Tech. Services	107,095	116,384	114,219	2,165
Purchased Property Services	36,000	36,000	38,503	(2,503)
Other Purchased Services	71,710	78,616	44,286	34,330
Supplies	167,090	176,016	194,341	(18,325)
Other Objects	150	4,230	8,325	(4,095)
Total Central	<u>789,173</u>	<u>811,387</u>	<u>797,699</u>	<u>13,688</u>

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

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Other				
Other Purchased Services	100,000	100,000	96,929	3,071
Supplies	8,000	8,000	3,323	4,677
Other Objects	-	91,731	91,731	-
	<u>108,000</u>	<u>199,731</u>	<u>191,983</u>	<u>7,748</u>
Total Other				
	<u>108,000</u>	<u>199,731</u>	<u>191,983</u>	<u>7,748</u>
Total Support Services	<u>32,025,214</u>	<u>32,674,915</u>	<u>31,777,819</u>	<u>897,096</u>
Noninstructional Services				
Student Activities				
Personal Services				
Salaries	1,379,162	1,379,162	1,407,740	(28,578)
Employee Benefits	641,915	642,353	650,592	(8,239)
Purchased Prof. and Tech. Services	123,715	114,311	113,696	615
Purchased Property Services	93,092	96,842	89,096	7,746
Other Purchased Services	292,953	298,605	294,823	3,782
Supplies	177,632	218,015	216,521	1,494
Property	40,360	45,395	64,315	(18,920)
Other Objects	56,443	56,168	48,058	8,110
	<u>2,805,272</u>	<u>2,850,851</u>	<u>2,884,841</u>	<u>(33,990)</u>
Total Student Activities				
	<u>2,805,272</u>	<u>2,850,851</u>	<u>2,884,841</u>	<u>(33,990)</u>
Community Services				
Purchased Prof. and Tech. Services	35,000	49,000	42,677	6,323
Supplies	10,000	7,300	5,532	1,768
Other Objects	13,000	13,000	8,512	4,488
	<u>58,000</u>	<u>69,300</u>	<u>56,721</u>	<u>12,579</u>
Total Community Services				
	<u>58,000</u>	<u>69,300</u>	<u>56,721</u>	<u>12,579</u>
Scholarship and Awards				
Other Objects	-	4,500	4,500	-
Total Noninstructional Services	<u>2,863,272</u>	<u>2,924,651</u>	<u>2,946,062</u>	<u>(21,411)</u>

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

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Facilities Acquisition, Construction and Improvement Services				
Purchased Prof. and Tech. Services	-	12,000	12,000	-
Purchased Property Services	774,785	789,818	696,525	93,293
Supplies	<u>7,800</u>	<u>7,800</u>	<u>9,848</u>	<u>(2,048)</u>
Total Facilities Acquisition, Construction and Improvement Services	<u>782,585</u>	<u>809,618</u>	<u>718,373</u>	<u>91,245</u>
Debt Service				
Interest	3,044,498	3,094,498	3,084,938	9,560
Refunds of Prior Year's Receipts	50,000	55,000	59,409	(4,409)
Redemption of Principal	<u>1,996,455</u>	<u>2,546,455</u>	<u>2,538,175</u>	<u>8,280</u>
Total Debt Service	<u>5,090,953</u>	<u>5,695,953</u>	<u>5,682,522</u>	<u>13,431</u>
Total Expenditures	<u>107,506,866</u>	<u>109,768,255</u>	<u>107,605,382</u>	<u>2,162,873</u>
Other Financing Uses				
Fund Transfers				
Capital Projects Fund	2,025,000	5,225,000	5,224,434	566
Budgetary Reserve	<u>1,500,000</u>	<u>1,495,733</u>	<u>-</u>	<u>1,495,733</u>
Total Other Financing Uses	<u>3,525,000</u>	<u>6,720,733</u>	<u>5,224,434</u>	<u>1,496,299</u>
Total Expenditures and Other Financing Uses	<u>111,031,866</u>	<u>116,488,988</u>	<u>112,829,816</u>	<u>3,659,172</u>
Net Change in Fund Balance	(3,230,371)	(5,422,603)	102,332	5,524,935
Fund Balance - July 1, 2022	<u>25,676,933</u>	<u>25,676,933</u>	<u>28,513,754</u>	<u>2,836,821</u>
Fund Balance - June 30, 2023	<u>\$ 22,446,562</u>	<u>\$ 20,254,330</u>	<u>\$ 28,616,086</u>	<u>\$ 8,361,756</u>

Fox Chapel Area School District
Note to the Required Supplementary Information
Budget Comparison
June 30, 2023

Note 1 – Budgetary Information

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

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

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

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB Liability							
Service Cost	\$ 348,500	\$ 342,953	\$ 313,045	\$ 455,645	\$ 445,227	\$ 204,684	\$ -
Interest	298,601	322,859	479,674	489,384	440,475	278,495	-
Change of benefit terms	-	-	-	(49,716)	-	4,728,579	-
Difference between expected and actual experience	-	144,494	-	564,963	-	228,120	-
Change of assumptions and other inputs	(1,259,660)	(762,023)	891,806	180,322	(186,205)	252,436	-
Benefit Payments	<u>(1,194,673)</u>	<u>(833,154)</u>	<u>(780,495)</u>	<u>(581,198)</u>	<u>(357,675)</u>	<u>(350,917)</u>	<u>-</u>
Net Change in Total OPEB Liability	(1,807,232)	(784,871)	904,030	1,059,400	341,822	5,341,397	-
Total OPEB Liability - Beginning	<u>13,824,141</u>	<u>14,609,012</u>	<u>13,704,982</u>	<u>12,645,582</u>	<u>12,303,760</u>	<u>6,962,363</u>	<u>-</u>
Total OPEB Liability - Ending	<u>\$12,016,909</u>	<u>\$13,824,141</u>	<u>\$14,609,012</u>	<u>\$13,704,982</u>	<u>\$12,645,582</u>	<u>\$12,303,760</u>	<u>\$ 6,962,363</u>
Covered-Employee Payroll	\$40,370,181	\$39,385,542	\$40,452,536	\$39,465,889	\$39,828,273	\$38,856,852	\$41,467,596
Total OPEB Liability as a Percentage of Covered-Employee Payroll	29.77%	35.10%	36.11%	34.73%	31.75%	31.66%	16.79%

Notes to Schedule:

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

Assumption Changes:

Discount rate used for fiscal year ending:

2023	3.54%
2022	2.16%

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

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

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

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually Required Contribution	\$ 17,051,610	\$ 16,326,839	\$ 15,536,052	\$ 15,846,731	\$ 15,237,184	\$ 14,431,717	\$ 11,703,684	\$ 11,664,195	\$ 8,584,556
Contributions in Relation to the Contractually Required Contribution	<u>17,051,610</u>	<u>16,326,839</u>	<u>15,536,052</u>	<u>15,846,731</u>	<u>15,237,184</u>	<u>14,431,717</u>	<u>11,703,684</u>	<u>11,664,195</u>	<u>8,584,556</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll	\$ 49,462,963	\$ 47,883,936	\$ 46,156,891	\$ 47,449,816	\$ 46,855,076	\$ 45,805,695	\$ 40,081,109	\$ 47,431,251	\$ 42,692,360
Contributions as a Percentage of Covered Payroll	34.47%	34.10%	33.66%	33.40%	32.52%	31.51%	29.20%	24.59%	20.11%

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

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

	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
School District's Proportion of the Net Pension Liability (Asset)	0.3265%	0.3263%	0.3385%	0.3397%	0.3401%	0.3010%	0.3662%	0.3318%	0.3228%	0.3187%
School District's Proportionate Share of the Net Pension Liability (Asset)	\$ 145,158	\$ 133,968	\$ 166,674	\$ 158,921	\$ 163,265	\$ 148,659	\$ 181,477	\$ 143,720	\$ 127,766	\$ 130,463
School District's Covered Payroll	\$ 47,884	\$ 46,157	\$ 47,450	\$ 46,855	\$ 45,806	\$ 40,081	\$ 47,431	\$ 42,692	\$ 41,193	\$ 40,894
School District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	303.15%	290.24%	351.26%	339.18%	356.43%	370.90%	382.61%	336.64%	310.16%	319.03%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	61.34%	63.67%	54.32%	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%	54.49%

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

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Contractually Required Contribution	\$ 372,033	\$ 385,856	\$ 381,188	\$ 397,240	\$ 385,609	\$ 381,570
Contributions in Relation to the Contractually Required Contribution	<u>372,033</u>	<u>385,856</u>	<u>381,188</u>	<u>397,240</u>	<u>385,609</u>	<u>381,570</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll	\$49,462,963	\$47,883,936	\$46,156,891	\$47,449,816	\$46,855,076	\$ 45,805,695
Contributions as a Percentage of Covered Payroll	0.75%	0.81%	0.83%	0.84%	0.82%	0.83%

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

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

	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
School District's Proportion of the Net OPEB Liability (Asset)	0.3256%	0.3256%	0.3381%	0.3397%	0.3401%	0.0030%
School District's Proportionate Share of the Net OPEB Liability (Asset)	\$ 5,994	\$ 7,717	\$ 7,305	\$ 7,225	\$ 7,091	\$ 6,133
School District's Covered Payroll	\$ 47,884	\$ 46,157	\$ 47,450	\$ 46,855	\$ 45,806	\$ 40,081
School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	12.52%	16.72%	15.40%	15.42%	15.48%	15.30%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	6.86%	5.30%	5.69%	5.56%	5.56%	5.73%

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

SINGLE AUDIT SECTION

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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, 2023 were prepared to fulfill the requirements of the Government Auditing Standards and the Uniform Grant Guidance. A summary of the reports is as follows:

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

Respectfully submitted,

Hosack, Specht, Muetzel & Wood LLP

HOSACK, SPECHT, MUETZEL & WOOD LLP
Pittsburgh, Pennsylvania
December 27, 2023

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EXHIBIT A

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fox Chapel Area School District as of and for the year ended June 30, 2023, 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 27, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Hosack, Specht, Muetzel & Wood LLP

HOSACK, SPECHT, MUETZEL & WOOD LLP
Pittsburgh, Pennsylvania
December 27, 2023

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EXHIBIT B

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

Hosack, Specht, Muetzel & Wood LLP

HOSACK, SPECHT, MUETZEL & WOOD LLP
Pittsburgh, Pennsylvania
December 27, 2023

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

EXHIBIT C

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report was unmodified.

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? _____ yes ✓ no

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

ALN Number(s)	Name of Federal Program or Cluster
84.425	Education Stabilization Fund
10.555, 10.553 & 10.582	Child Nutrition Cluster

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

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

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

EXHIBIT C

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were noted.

Section IV – Status of Prior Year’s Findings

No prior year’s findings.

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

EXHIBIT D

Federal Grantor/ Pass Through Grantor/ Project Title	Source Code	Federal ALN Number	Pass Through Grantor's Number	Grant Period Beginning/ Ending Date	Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue 07/01/22	Revenue Recognized	Expendi- tures	Accrued or (Deferred) Revenue 06/30/23
U.S. Department of Education										
Passed through the Pennsylvania Department of Education										
Title I Improving Basic Programs	I	84.010	013-230154	07/27/22-09/30/23	\$ 428,683	\$ 277,324	\$ -	\$ 428,683	\$ 428,683	\$ 151,359
Title I Improving Basic Programs	I	84.010	013-220154	07/07/21-09/30/22	415,101	83,013	83,013	-	-	-
						360,337	83,013	428,683	428,683	151,359
Title II Improving Teacher Quality	I	84.367	020-230154	07/27/22-09/30/23	88,087	52,207	-	88,087	88,087	35,880
Title II Improving Teacher Quality	I	84.367	020-220154	07/07/21-09/30/22	86,078	(1,217)	(1,217)	-	-	-
						50,990	(1,217)	88,087	88,087	35,880
Title IV Student Sup. and Acad. Enrichment	I	84.424	144-230154	07/27/22-09/30/23	32,571	31,027	-	32,571	32,571	1,544
Title IV Student Sup. and Acad. Enrichment	I	84.424	144-220154	07/07/21-09/30/22	31,545	18	18	-	-	-
						31,045	18	32,571	32,571	1,544
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II)	I	84.425D	200-210154	03/13/20-09/30/23	1,548,975	468,295	392,706	75,589	75,589	-
COVID-19 Elementary and Secondary School Emergency Relief Fund (ARP ESSER)	I	84.425U	223-210154	03/13/20-09/30/24	3,133,129	1,025,388	191,229	737,044	737,044	(97,115)
COVID-19 Elementary and Secondary School Emergency Relief Fund (ARP ESSERS 7%)	I	84.425U	225-210154	03/13/20-09/30/24	243,515	185,957	49,761	146,532	146,532	10,336
Passed through the Pennsylvania Commission on Crime and Delinquency										
COVID-19 Safety and Security Grant	I	84.425D	2020-ES-01-35449	3/13/20-09/30/22	116,112	52,026	51,665	361	361	-
						1,731,666	685,361	959,526	959,526	(86,779)
Special Education Cluster										
Passed through the Allegheny Intermediate Unit										
IDEA B	I	84.027	062-230003	07/01/22-09/30/23	572,291	185,141	-	572,291	572,291	387,150
IDEA B	I	84.027	062-220003	07/01/21-09/30/23	638,517	368,952	368,952	92,359	92,359	92,359
IDEA B Section 619	I	84.173	131-220003	07/01/22-06/30/23	2,960	2,960	-	2,960	2,960	-
Subtotal Special Education Cluster						557,053	368,952	667,610	667,610	479,509
Subtotal U.S. Department of Education						2,731,091	1,136,127	2,176,477	2,176,477	581,513

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

EXHIBIT D

Federal Grantor/ Pass Through Grantor/ Project Title	Source Code	Federal ALN Number	Pass Through Grantor's Number	Grant Period Beginning/ Ending Date	Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue 07/01/22	Revenue Recognized	Expendi- tures	Accrued or (Deferred) Revenue 06/30/23
Federal Communications Commission COVID-19 Emergency Connectivity Fund	D	32.009	N/A	07/01/21-06/30/23	1,254,801	<u>1,258,409</u>	<u>1,254,801</u>	<u>3,608</u>	<u>3,608</u>	<u>-</u>
U.S. Department of Health and Human Services Passed through the Pennsylvania Department of Public Welfare Medical Assistance Reimb. for Adm. Title 19	I	93.778	N/A	07/01/21-06/30/23	N/A	<u>8,486</u>	<u>5,158</u>	<u>7,053</u>	<u>7,053</u>	<u>3,725</u>
U.S. Department of Agriculture Passed through the Pennsylvania Department of Education P-EBT Administrative Costs Grant	I	10.649	N/A	07/01/22-06/30/23	N/A	<u>628</u>	<u>-</u>	<u>628</u>	<u>628</u>	<u>-</u>
National School Lunch Program	I	10.555	N/A	07/01/22-06/30/23	N/A	1,039,725	239,321	804,226	804,226	3,822
National School Breakfast Program	I	10.553	N/A	07/01/22-06/30/23	N/A	200,149	41,719	160,138	160,138	1,708
Fresh Fruit and Vegetable Program	I	10.582	N/A	07/01/22-06/30/23	N/A	14,811	3,375	13,202	13,202	1,766
Passed through the Pennsylvania Department of Agriculture National School Lunch Program (Donated Commodities Non Cash Assistance)	I	10.555	N/A	07/01/22-06/30/23	N/A	<u>121,583</u>	<u>(12,884)</u>	<u>127,128</u>	<u>127,128</u>	<u>(7,339)</u>
Total Child Nutrition Cluster						<u>1,376,268</u>	<u>271,531</u>	<u>1,104,694</u>	<u>1,104,694</u>	<u>(43)</u>
Total U.S. Department of Agriculture						<u>1,376,896</u>	<u>271,531</u>	<u>1,105,322</u>	<u>1,105,322</u>	<u>(43)</u>
Total Federal Financial Assistance						<u>\$ 5,374,882</u>	<u>\$ 2,667,617</u>	<u>\$ 3,292,460</u>	<u>\$ 3,292,460</u>	<u>\$ 585,195</u>

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, 2023**

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, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Fox Chapel Area School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of Fox Chapel Area School District.

Note B - Summary of Significant Accounting Policies

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

Note C - Source Code

The Source Code (I) indicates funds received indirectly.

The Source Code (D) indicates funds received directly.

Note D - Reconciliation with Subsidy Confirmation

Amounts Received Per Schedule	\$ 5,374,882
Less: Commodities Received	(121,583)
Less: Passed Through AIU	(557,053)
Less: Title 19	(8,486)
Add: Medical Assistance - Access	196,530
Less: Passed Through PCCD	(52,026)
Less: Emergency Connectivity Fund	(1,258,409)
Add: State Funding on Confirmation	<u>464,154</u>
 Per Subsidy Confirmation	 <u><u>\$4,038,009</u></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, 2023**

EXHIBIT E

1 Copy – Bureau of Audits

1 Copy – General Services Administration