

**Fox Chapel Area School District  
Financial Statements  
June 30, 2020**

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

	Exhibit	Page No.
<b>FINANCIAL SECTION</b>		
Independent Auditor’s Report		1 – 3
Management’s Discussion and Analysis		4 – 16
Basic Financial Statements		
Government-Wide Financial Statements		
Statement of Net Position	1	17
Statement of Activities	2	18
Fund Financial Statements		
Balance Sheet – Governmental Funds	3	19
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	4	20 – 21
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	5	22
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	6	23 – 24
Statement of Net Position – Proprietary Funds	7	25
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	8	26
Statement of Cash Flows – Proprietary Funds	9	27 – 28
Statement of Net Position – Fiduciary Funds	10	29
Notes to Financial Statements		30 – 60
Required Supplementary Information		
Schedule of Revenues, Expenditures and Changes in Fund Balance – General Fund – Budget and Actual		61 – 68
Note to the Required Supplementary Information		69
Schedule of Changes in the Total OPEB Liability and Related Ratios		70
Schedule of School District’s Contributions – PSERS		71
Schedule of School District’s Proportionate Share of the Net Pension Liability – PSERS		72
Schedule of School District’s Contributions – PSERS OPEB Plan		73
Schedule of School District’s Proportionate Share of the Net OPEB Liability – PSERS OPEB Plan		74

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

SINGLE AUDIT SECTION

Letter of Transmittal		75
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 <i>Government Auditing Standards</i>	A	76 – 77
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	B	78 – 79
Schedule of Findings and Questioned Costs	C	80 – 81
Schedule of Expenditures of Federal Awards	D	82 – 84
List of Report Distribution	E	85

**HOSACK, SPECHT, MUETZEL & WOOD LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
**2 PENN CENTER WEST, SUITE 326**  
**PITTSBURGH, PENNSYLVANIA 15276**  
**PHONE - 412-343-9200**  
**FAX - 412-343-9209**  
**HSMW@HSMWCPA.COM**  
**WWW.HSMWCPA.COM**

**Independent Auditor's Report**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fox Chapel Area School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Fox Chapel Area School District's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fox Chapel Area School District, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

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

#### *Other Information*

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2020, on our consideration of Fox Chapel Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Fox Chapel Area School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fox Chapel Area School District's internal control over financial reporting and compliance.

*Hosack, Specht, Muetzel & Wood LLP*

HOSACK, SPECHT, MUETZEL & WOOD LLP  
Pittsburgh, Pennsylvania  
December 18, 2020

**Fox Chapel Area School District  
Management's Discussion and Analysis  
June 30, 2020**

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, 2020. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

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

**Financial Highlights**

The School District's major challenges are personnel costs that include wages, retirement contributions and medical group insurance costs. The employer contribution rate for the Pennsylvania School Employees' Retirement System (PSERS) continues to rise to historical highs and was 34.29% in 2019/2020. The total contributions paid were \$16,040,705 in 2019/2020, an increase of 3.3% from the prior year. This is a moderate increase compared to previous years mostly due to the implementation of the early retirement incentive that was offered to the FCEA. The implementation model was designed so that the District can replace retiring teachers at significant cost savings. However even at a moderate increase from the prior year in cost, PSERS alone still accounts for over 15.5% of the total budget.

The millage rate did not increase from the previous year and remained at 19.575 mills for the 2019/2020 school year.

The School District completed the fiscal year 2019/2020 with a negative net position due to the requirement to report pension liabilities on the balance sheet. The net pension liability of the School District governmental activities decreased by \$4,278,882 to \$157,132,040 and created a negative net position of \$(107,932,813) at the end of fiscal year 2020.

The School District continued to slightly exceed anticipated revenue budget, but not as high as in previous years. In 2019/2020, the actual revenue variance from the original budget was \$167,151, or 0.17% of actual revenue received. In addition, actual expenditures for the fiscal year were under by \$1,778,696, or 1.71%, compared to the original budget for 2019/2020. Both these factors have allowed the School District to increase its financial stability and plan for future increased costs for PSERS contributions and capital projects, as well as account for the minimal increases to state and federal funding. However, it is worth noting that the COVID-19 closure did have a slight impact on the 2019/2020 school year. While the impact was minimal as it relates to revenues, there was less spending in the final few months due to the closure and transition to online learning which may have driven down the expenditures. A more significant effect is anticipated for the 2020/2021 school year.

The School District's business-type activity, which is comprised of the food service fund, showed a negative net position of \$1,330,764. This increase is related to the effects of the COVID-19 closure where revenues were limited but expenditures maintained. The business-type activity saw a decrease in net pension liability of \$65,118.

**Fox Chapel Area School District  
Management's Discussion and Analysis  
June 30, 2020**

**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.

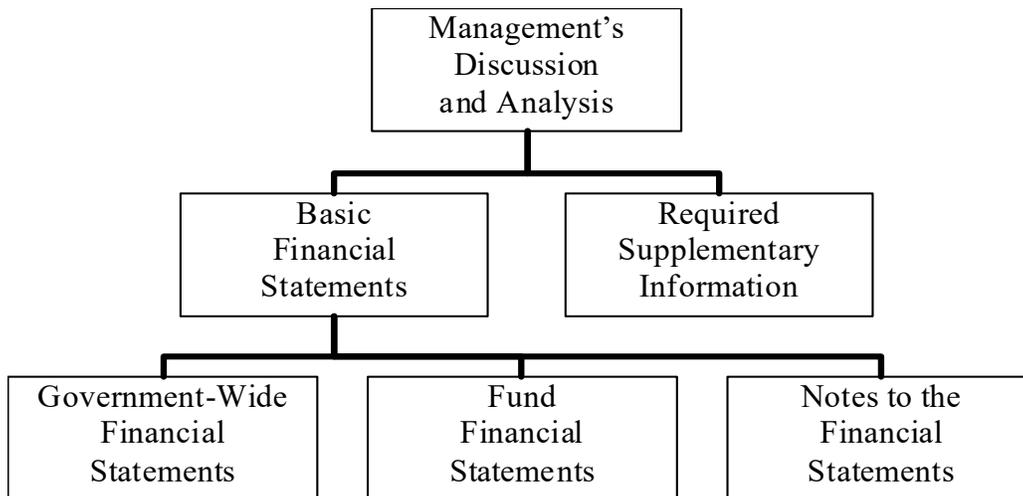
The first two statements are government-wide statements - the statement of net position and the statement of activities. These provide both long-term and short-term information about the School District's overall financial status.

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.

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



**Fox Chapel Area School District  
Management's Discussion and Analysis  
June 30, 2020**

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.

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, 2020**

**Overview of Financial Statements**

Government-Wide Statements

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

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

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

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

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

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

Fund Financial Statements

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

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

**Fox Chapel Area School District  
Management's Discussion and Analysis  
June 30, 2020**

*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. 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 \$(109,263,577) at June 30, 2020 and a deficit \$(101,603,549) at June 30, 2019.

Table A - 1  
Years Ended June 30, 2020 and 2019  
Net Position

	2020			2019		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Current and Other Assets	\$ 39,763,550	\$ 915,467	\$ 40,679,017	\$ 51,521,076	\$ 563,870	\$ 52,084,946
Capital Assets	111,333,005	15,901	111,348,906	109,085,467	21,542	109,107,009
<b>Total Assets</b>	<b>151,096,555</b>	<b>931,368</b>	<b>152,027,923</b>	<b>160,606,543</b>	<b>585,412</b>	<b>161,191,955</b>
Deferred Outflows of Resources	33,660,810	355,161	34,015,971	43,320,252	486,788	43,807,040
Current and Other Liabilities	14,288,499	536,089	14,824,588	17,591,700	92,530	17,684,230
Noncurrent Liabilities						
Due Within One Year	2,682,719	-	2,682,719	2,480,885	-	2,480,885
Due in More Than One Year	257,040,680	1,870,313	258,910,993	262,765,109	1,934,632	264,699,741
<b>Total Liabilities</b>	<b>274,011,898</b>	<b>2,406,402</b>	<b>276,418,300</b>	<b>282,837,694</b>	<b>2,027,162</b>	<b>284,864,856</b>

**Fox Chapel Area School District  
Management's Discussion and Analysis  
June 30, 2020**

Table A - 1  
Years Ended June 30, 2020 and 2019  
Net Position

	2020			2019		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Deferred Inflows of Resources	18,678,280	210,891	18,889,171	21,492,763	244,925	21,737,688
Net Position						
Net Investment in Capital Assets	35,722,671	15,901	35,738,572	36,695,724	21,542	36,717,266
Unrestricted	<u>(143,655,484)</u>	<u>(1,346,665)</u>	<u>(145,002,149)</u>	<u>(137,099,386)</u>	<u>(1,221,429)</u>	<u>(138,320,815)</u>
Total Net Position	<u><u>\$(107,932,813)</u></u>	<u><u>\$(1,330,764)</u></u>	<u><u>\$(109,263,577)</u></u>	<u><u>\$(100,403,662)</u></u>	<u><u>\$(1,199,887)</u></u>	<u><u>\$(101,603,549)</u></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, 2020**

Table A - 2  
Years Ended June 30, 2020 and 2019  
Changes in Net Position

	2020			2019		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for Services	\$ -	\$ 711,037	\$ 711,037	\$ -	\$ 991,534	\$ 991,534
Operating Grants and Contribs.	15,950,550	730,398	16,680,948	15,704,373	727,107	16,431,480
Capital Grants and Contribs.	525,972	-	525,972	524,307	-	524,307
<b>General Revenues</b>						
Property Taxes	66,837,423	-	66,837,423	66,151,111	-	66,151,111
Other Taxes	9,274,513	-	9,274,513	9,193,154	-	9,193,154
Grants, Subsidies and Contribs.						
Not Restricted	5,349,459	-	5,349,459	5,273,901	-	5,273,901
Investment Earnings	810,508	6,324	816,832	1,488,771	11,198	1,499,969
Other	220,903	-	220,903	239,541	-	239,541
<b>Total Revenues</b>	<b>98,969,328</b>	<b>1,447,759</b>	<b>100,417,087</b>	<b>98,575,158</b>	<b>1,729,839</b>	<b>100,304,997</b>
<b>Expenses</b>						
Instruction	68,992,941	-	68,992,941	69,079,824	-	69,079,824
Instructional Student Support	9,770,744	-	9,770,744	9,384,175	-	9,384,175
Admin. and Fin. Support Svcs.	9,163,427	-	9,163,427	9,524,277	-	9,524,277
Operation and Maintenance of Plant Services	9,165,456	-	9,165,456	9,348,499	-	9,348,499
Pupil Transportation	3,771,786	-	3,771,786	4,289,509	-	4,289,509
Student Activities	2,872,499	-	2,872,499	2,938,092	-	2,938,092
Community Services	58,754	-	58,754	45,381	-	45,381
Scholarships	5,000	-	5,000	1,000	-	1,000
Interest on Long-Term Debt	2,697,872	-	2,697,872	2,764,999	-	2,764,999
Food Service	-	1,578,636	1,578,636	-	1,341,292	1,341,292
<b>Total Expenses</b>	<b>106,498,479</b>	<b>1,578,636</b>	<b>108,077,115</b>	<b>107,375,756</b>	<b>1,341,292</b>	<b>108,717,048</b>
Increase (Decrease) in Net Position	(7,529,151)	(130,877)	(7,660,028)	(8,800,598)	388,547	(8,412,051)
Beginning Net Position	(100,403,662)	(1,199,887)	(101,603,549)	(91,603,064)	(1,588,434)	(93,191,498)
Ending Net Position	<u>\$ (107,932,813)</u>	<u>\$ (1,330,764)</u>	<u>\$ (109,263,577)</u>	<u>\$ (100,403,662)</u>	<u>\$ (1,199,887)</u>	<u>\$ (101,603,549)</u>

**Fox Chapel Area School District  
Management's Discussion and Analysis  
June 30, 2020**

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, 2020 and 2019  
Governmental Activities

	<b>2020</b>		<b>2019</b>	
	Total Cost (Expense) of Services	Net Cost (Expense) of Services	Total Cost (Expense) of Services	Net Cost (Expense) of Services
Functions/Programs				
Instruction	\$ 68,992,941	\$ 57,837,820	\$ 69,079,824	\$ 58,149,066
Instructional Student Support	9,770,744	8,322,701	9,384,175	7,648,563
Admin. and Fin. Support Svcs.	9,163,427	8,463,768	9,524,277	8,838,516
Operation and Maintenance of Plant Services	9,165,456	8,260,572	9,348,499	8,640,509
Pupil Transportation	3,771,786	2,350,600	4,289,509	2,954,335
Student Activities	2,872,499	2,554,393	2,938,092	2,631,827
Community Services	58,754	55,203	45,381	42,568
Scholarships and Awards	5,000	5,000	1,000	1,000
Interest on Long-Term Debt	<u>2,697,872</u>	<u>2,171,900</u>	<u>2,764,999</u>	<u>2,240,692</u>
Total Governmental Activities	<u>\$ 106,498,479</u>	90,021,957	<u>\$ 107,375,756</u>	91,147,076
Less:				
Unrestricted Grants, Subsidies		<u>(5,349,459)</u>		<u>(5,273,901)</u>
Total Needs from Local Taxes and Other Revenues		<u>\$ 84,672,498</u>		<u>\$ 85,873,175</u>

**Fox Chapel Area School District  
Management's Discussion and Analysis  
June 30, 2020**

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, 2020 and 2019  
Business-Type Activities

	<b>2020</b>		<b>2019</b>	
	Total Cost (Expense) of Services	Net Cost (Expense) of Services	Total Cost (Expense) of Services	Net Cost (Expense) of Services
Functions/Programs				
Food Service	<u>\$ 1,578,636</u>	\$ 137,201	<u>\$ 1,341,292</u>	\$ (377,349)
Add/Less:				
Investment Earnings		<u>(6,324)</u>		<u>(11,198)</u>
Total Business-Type Activities		<u>\$ 130,877</u>		<u>\$ (388,547)</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, 2020, the School District's general fund reported a fund balance of \$21,434,720, which is a decrease of \$2,469,159. The District's original 2019/2020 budget anticipated a decrease to fund balance of \$4,415,008, including planned drawdowns from both the PSERS committed fund balance as well as the capital projects assigned fund balance relating to new various capital improvement projects. The variance resulted from additional drawdowns relating to both Kerr Construction and paving projects at both the Fox Chapel Area High School and O'Hara Elementary buildings. The decreased expenditures relating to the COVID closure ensured the smaller variance in drawdown.

**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, 2020, 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, 2020**

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 2019/2020, funds from athletic ticket sales of \$24,976 were transferred into the capital projects fund for future capital athletic improvements and enhancements as authorized by the Board of Directors. In addition to this transfer, the assigned fund balance for capital projects was \$421,923 as of June 30, 2020.

**Capital Assets and Debt Administration**

Capital Assets

At June 30, 2020, the School District governmental funds had \$111,333,005 invested in a broad range of capital assets, including land, land improvements, buildings, furniture and equipment. This amount represents a net increase (including additions, deletions and depreciation) of \$2,247,538 or 2.1% from last year.

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

	<b>2020</b>	<b>2019</b>
Land	\$ 2,413,944	\$ 2,413,944
Land Improvements	6,404,512	5,880,862
Buildings and Building Improvements	78,120,875	81,643,691
Furniture and Equipment	1,665,267	1,927,300
Construction in Progress	22,728,407	17,219,670

Debt Administration

As of July 1, 2019, the School District had total outstanding bond and note principal of \$69,589,752. The total outstanding bond and note principal as of June 30, 2020 is \$67,708,820.

Table A - 6  
Outstanding Debt

	<b>As of 06/30/20</b>	<b>As of 06/30/19</b>
General Obligation Bonds/Notes		
Bonds - Capital Projects Series of 2013	\$ 36,940,000	\$ 38,665,000
Bonds - Series of 2017	29,065,000	29,070,000
Notes - Series of 2016	1,703,820	1,854,752

**Fox Chapel Area School District  
Management's Discussion and Analysis  
June 30, 2020**

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

**Bond Rating**

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

**Economic Factors and Next Year's Budget**

The School District expects reduced student enrollment over the next few years. Projected enrollment for 2020/2021 was 4,053, with 1,846 at the elementary. Projected enrollment at the middle school, grades six through eight, was 923. High school enrollments continue to decrease through 2020/2021 with enrollment currently projected at 1,278.

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, 2023 and with the educational support staff through June 30, 2024. The School District does not anticipate any 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 2020/2021 year is \$1,794,781 less than the original budget for 2019/2020. This represents a 1.73% decrease in budgeted expenditures and a 1.83% decrease in budgeted revenues. The School District is anticipating having to draw down \$2,374,926 from its fund balance to balance the 2020/2021 budget. This includes a specific drawdown of \$750,000 from the PSERS committed fund balance and \$1,493,830 from the capital projects assigned fund balance. The largest factors relating to the 2020/2021 budget relate to the continuing COVID closure. The district is anticipating that both the real estate tax collection as well as the earned income tax collection will be affected by the COVID-19 closure resulting in decreased revenues. While the district made some one-time reductions to expenditures relating to the COVID closure, there are still continually increasing costs for the School District. These include the increased rate of contributions to PSERS and group insurance rates, contractual increases, as well as capital improvements projects.

At June 30, 2020, the unassigned fund balance was \$3,301,228, or 3.2% of actual expenditures.

**Fox Chapel Area School District  
Management's Discussion and Analysis  
June 30, 2020**

The comparison of revenue and expenditure categories is as follows:

Table A - 7

	Budgeted Revenue 2020/2021	Actual Revenue 2019/2020
Local	77.6%	78.4%
State	19.5%	20.1%
Federal/Other	2.9%	1.5%
	Budgeted Expenditures 2020/2021	Actual Expenditures 2019/2020
Instruction	60.0%	61.0%
Support Services	28.9%	29.2%
Noninstructional Services	2.6%	2.6%
Capital Outlay	0.7%	0.3%
Fund Transfers/Debt	7.8%	6.9%

**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, 2020**

**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, 2020**

**Exhibit 1**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 17,727,383	\$ 782,192	\$ 18,509,575
Investments	9,847,034	-	9,847,034
Taxes Receivable, Net	5,051,127	-	5,051,127
Due From Other Governments	4,259,483	87,446	4,346,929
Other Receivables	389,181	2,524	391,705
Inventories	-	43,305	43,305
Prepaid Items	1,194,382	-	1,194,382
Long-Term Prepayments (net of amortization)	1,294,960	-	1,294,960
Capital Assets not Being Depreciated			
Land	2,413,944	-	2,413,944
Construction in Progress	22,728,407	-	22,728,407
Capital Assets, Net of Accumulated Depreciation			
Land Improvements	6,404,512	-	6,404,512
Building & Building Improvements	78,120,875	-	78,120,875
Furniture & Equipment	1,665,267	15,901	1,681,168
<b>TOTAL ASSETS</b>	<b>151,096,555</b>	<b>931,368</b>	<b>152,027,923</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Amounts Related to OPEB - District	1,824,091	-	1,824,091
Amounts Related to OPEB - PSERS	1,285,399	14,458	1,299,857
Amounts Related to Pension	30,551,320	340,703	30,892,023
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>33,660,810</b>	<b>355,161</b>	<b>34,015,971</b>
<b>LIABILITIES</b>			
Internal Balances	(435,942)	435,942	-
Accounts Payable	1,509,959	2,126	1,512,085
Contracts Payable	143,209	-	143,209
Retainage Payable	239,408	-	239,408
Accrued Salaries and Benefits	11,214,946	-	11,214,946
Payroll Deductions and Withholdings	6,696	-	6,696
Unearned Revenues	258,390	22,451	280,841
Other Current Liabilities	1,351,833	75,570	1,427,403
Noncurrent Liabilities:			
Due Within One Year	2,682,719	-	2,682,719
Due in More Than One Year:			
Notes Payable	1,545,108	-	1,545,108
Capital Leases	207,631	-	207,631
Compensated Absences	4,162,861	-	4,162,861
Bonds Payable	73,144,411	-	73,144,411
Other Post-Employment Benefits - District	13,704,982	-	13,704,982
Other Post-Employment Benefits - PSERS	7,143,647	81,353	7,225,000
Net Pension Liability	157,132,040	1,788,960	158,921,000
<b>TOTAL LIABILITIES</b>	<b>274,011,898</b>	<b>2,406,402</b>	<b>276,418,300</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Amounts Related to OPEB - District	155,171	-	155,171
Amounts Related to OPEB - PSERS	1,013,458	11,542	1,025,000
Amounts Related to Pension	17,509,651	199,349	17,709,000
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>18,678,280</b>	<b>210,891</b>	<b>18,889,171</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	35,722,671	15,901	35,738,572
Unrestricted	(143,655,484)	(1,346,665)	(145,002,149)
<b>TOTAL NET POSITION</b>	<b>\$ (107,932,813)</b>	<b>\$ (1,330,764)</b>	<b>\$ (109,263,577)</b>

See Accompanying Notes

**Fox Chapel Area School District  
Statement of Activities  
Year Ended June 30, 2020**

**Exhibit 2**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
<b>Governmental Activities:</b>							
Instruction	\$ 68,992,941	\$ -	\$ 11,155,121	\$ -	\$ (57,837,820)	\$ -	\$ (57,837,820)
Instructional Student Support	9,770,744	-	1,448,043	-	(8,322,701)	-	(8,322,701)
Administrative and Financial Support Services	9,163,427	-	699,659	-	(8,463,768)	-	(8,463,768)
Operation and Maintenance of Plant Services	9,165,456	-	904,884	-	(8,260,572)	-	(8,260,572)
Pupil Transportation	3,771,786	-	1,421,186	-	(2,350,600)	-	(2,350,600)
Student Activities	2,872,499	-	318,106	-	(2,554,393)	-	(2,554,393)
Community Services	58,754	-	3,551	-	(55,203)	-	(55,203)
Scholarships and Awards	5,000	-	-	-	(5,000)	-	(5,000)
Interest on Long-Term Debt	2,697,872	-	-	525,972	(2,171,900)	-	(2,171,900)
<b>Total Governmental Activities</b>	<b>106,498,479</b>	<b>-</b>	<b>15,950,550</b>	<b>525,972</b>	<b>(90,021,957)</b>	<b>-</b>	<b>(90,021,957)</b>
<b>Business-type Activities:</b>							
Food Service	1,578,636	711,037	730,398	-	-	(137,201)	(137,201)
<b>Total Primary Government</b>	<b>\$ 108,077,115</b>	<b>\$ 711,037</b>	<b>\$ 16,680,948</b>	<b>\$ 525,972</b>	<b>(90,021,957)</b>	<b>(137,201)</b>	<b>(90,159,158)</b>
<b>General Revenues</b>							
<b>Taxes</b>							
Property Taxes Levied for General Purposes, Net					66,837,423	-	66,837,423
Earned Income Taxes					8,269,874	-	8,269,874
Real Estate Transfer Taxes					824,067	-	824,067
Other Taxes Levied for General Purposes, Net					180,572	-	180,572
Grants, Subsidies and Contributions not Restricted					5,349,459	-	5,349,459
Investment Earnings					810,508	6,324	816,832
Miscellaneous Income					220,903	-	220,903
<b>Total General Revenues</b>					<b>82,492,806</b>	<b>6,324</b>	<b>82,499,130</b>
<b>Change in Net Position</b>					<b>(7,529,151)</b>	<b>(130,877)</b>	<b>(7,660,028)</b>
<b>Net Position - July 1, 2019</b>					<b>(100,403,662)</b>	<b>(1,199,887)</b>	<b>(101,603,549)</b>
<b>Net Position - June 30, 2020</b>					<b>\$ (107,932,813)</b>	<b>\$ (1,330,764)</b>	<b>\$ (109,263,577)</b>

See Accompanying Notes

**Fox Chapel Area School District  
Balance Sheet  
Governmental Funds  
June 30, 2020**

**Exhibit 3**

	General Fund	Capital Projects Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 16,795,032	\$ 932,351	\$ 17,727,383
Investments	9,847,034	-	9,847,034
Taxes Receivable, Net	5,051,127	-	5,051,127
Due from Other Funds	437,029	148,409	585,438
Due from Other Governments	4,259,483	-	4,259,483
Other Receivables	389,181	-	389,181
Prepaid Items	1,194,382	-	1,194,382
	<u>37,973,268</u>	<u>1,080,760</u>	<u>39,054,028</u>
<b>TOTAL ASSETS</b>	<b>\$ 37,973,268</b>	<b>\$ 1,080,760</b>	<b>\$ 39,054,028</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Due to Other Funds	\$ 148,409	\$ 1,087	\$ 149,496
Accounts Payable	1,469,356	40,603	1,509,959
Contracts Payable	-	143,209	143,209
Retainage Payable	-	239,408	239,408
Accrued Salaries and Benefits	11,214,946	-	11,214,946
Payroll Deductions and Withholdings	6,696	-	6,696
Unearned Revenues	258,390	-	258,390
	<u>13,097,797</u>	<u>424,307</u>	<u>13,522,104</u>
<b>Total Liabilities</b>	<b>13,097,797</b>	<b>424,307</b>	<b>13,522,104</b>
<b>Deferred Inflows of Resources</b>			
Unavailable Revenues - Property Taxes	3,440,751	-	3,440,751
	<u>3,440,751</u>	<u>-</u>	<u>3,440,751</u>
<b>Fund Balances</b>			
Nonspendable	1,194,382	-	1,194,382
Restricted	-	234,529	234,529
Committed	8,021,889	-	8,021,889
Assigned	8,917,221	421,924	9,339,145
Unassigned	3,301,228	-	3,301,228
	<u>21,434,720</u>	<u>656,453</u>	<u>22,091,173</u>
<b>Total Fund Balances</b>	<b>21,434,720</b>	<b>656,453</b>	<b>22,091,173</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 37,973,268</b>	<b>\$ 1,080,760</b>	<b>\$ 39,054,028</b>

See Accompanying Notes

**Fox Chapel Area School District  
Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Position  
June 30, 2020**

**Exhibit 4**

Total Fund Balances - Governmental Funds \$ 22,091,173

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 \$189,553,829 and the accumulated depreciation is \$78,220,824. 111,333,005

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. 3,440,751

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. (8,939,411)

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. 1,294,960

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

Bonds Payable	\$ (66,005,000)	
Accrued Interest on the Bonds	(1,351,833)	
Capital Leases Payable	(665,923)	
Notes Payable	(1,703,820)	
Compensated Absences	<u>(4,428,576)</u>	(74,155,152)

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

OPEB Liability-PSERS	(7,143,647)	
OPEB Liability-District	(13,704,982)	
Net Pension Liability	<u>(157,132,040)</u>	(177,980,669)

**Fox Chapel Area School District  
 Reconciliation of the Governmental Funds Balance Sheet  
 to the Statement of Net Position  
 June 30, 2020**

**Exhibit 4**

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

Deferred Outflows of Resources Related to Pensions	30,551,320	
Deferred Inflows of Resources Related to Pensions	(17,509,651)	
Deferred Outflows of Resources Related to OPEB -District	1,824,091	
Deferred Outflows of Resources Related to OPEB -PSERS	1,285,399	
Deferred Inflows of Resources Related to OPEB -District	(155,171)	
Deferred Inflows of Resources Related to OPEB -PSERS	<u>(1,013,458)</u>	<u>14,982,530</u>

Total Net Position - Governmental Activities		<u>\$ (107,932,813)</u>
--	--	-------------------------

See Accompanying Notes

**Fox Chapel Area School District  
Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Governmental Funds  
Year Ended June 30, 2020**

**Exhibit 5**

	General Fund	Capital Projects Fund	Total Governmental Funds
<b>Revenues</b>			
Local Sources	\$ 78,028,465	\$ 107,977	\$ 78,136,442
State Sources	19,977,614	-	19,977,614
Federal Sources	845,224	-	845,224
	<u>98,851,303</u>	<u>107,977</u>	<u>98,959,280</u>
<b>Total Revenues</b>			
<b>Expenditures</b>			
Instruction	62,290,715	-	62,290,715
Support Services	29,745,149	18,786	29,763,935
Noninstructional Services	2,637,298	-	2,637,298
Capital Outlay	273,788	7,513,986	7,787,774
Debt Service (Principal & Interest)	5,537,365	-	5,537,365
Refunds of Prior Year's Receipts	132,085	-	132,085
	<u>100,616,400</u>	<u>7,532,772</u>	<u>108,149,172</u>
<b>Total Expenditures</b>			
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,765,097)</u>	<u>(7,424,795)</u>	<u>(9,189,892)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	24,195	1,407,976	1,432,171
Proceeds from Capital Leases	622,910	-	622,910
Sale/Compensation for Fixed Assets	56,809	-	56,809
Insurance Recoveries	-	65,354	65,354
Transfers Out	(1,407,976)	-	(1,407,976)
	<u>(704,062)</u>	<u>1,473,330</u>	<u>769,268</u>
<b>Total Other Financing Sources (Uses)</b>			
Net Changes in Fund Balances	(2,469,159)	(5,951,465)	(8,420,624)
Fund Balances - July 1, 2019	<u>23,903,879</u>	<u>6,607,918</u>	<u>30,511,797</u>
Fund Balances - June 30, 2020	<u>\$ 21,434,720</u>	<u>\$ 656,453</u>	<u>\$ 22,091,173</u>

See Accompanying Notes

**Fox Chapel Area School District  
 Reconciliation of the Governmental Funds  
 and Changes in Fund Balances  
 to the Statement of Activities  
 Year Ended June 30, 2020**

**Exhibit 6**

Total Net Change in Fund Balances - Governmental Funds \$ (8,420,624)

Amounts reported for governmental activities in the statement of activities are different because:

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

Depreciation Expense	\$ (4,500,662)	
Capital Outlays	6,906,093	
Net Book Value of Capital Assets Retired	(157,893)	2,247,538

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.

85,324

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

2,417,477

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	96,373	
Other Post-Employment Benefits- PSERS	121,274	
Other Post-Employment Benefits- District	(201,454)	16,193

**Fox Chapel Area School District  
Reconciliation of the Governmental Funds  
and Changes in Fund Balances  
to the Statement of Activities  
Year Ended June 30, 2020**

**Exhibit 6**

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

Net Change in Accrued Interest on Bonds		27,574
---	--	--------

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

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

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

(622,910)

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	15,605,558	
Cost of Benefits Earned	<u>(19,284,056)</u>	<u>(3,678,498)</u>

Change in Net Position of Governmental Activities		<u>\$ (7,529,151)</u>
---	--	-----------------------

See Accompanying Notes

**Fox Chapel Area School District  
Statement of Net Position  
Proprietary Funds  
June 30, 2020**

**Exhibit 7**

	Food Service Fund
<b>ASSETS</b>	
Current Assets	
Cash and Cash Equivalents	\$ 782,192
Due From Other Governments	87,446
Other Receivables	2,524
Inventories	<u>43,305</u>
Total Current Assets	<u>915,467</u>
Noncurrent Assets	
Furniture and Equipment, Net	<u>15,901</u>
<b>TOTAL ASSETS</b>	<u><b>931,368</b></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Amounts Related to OPEB-PSERS	14,458
Amounts Related to Pensions	<u>340,703</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u><b>355,161</b></u>
<b>LIABILITIES</b>	
Current Liabilities	
Due to Other Funds	435,942
Accounts Payable	2,126
Unearned Revenues	22,451
Other Current Liabilities	<u>75,570</u>
Total Current Liabilities	<u>536,089</u>
Noncurrent Liabilities	
Net OPEB-PSERS	81,353
Net Pension Liability	<u>1,788,960</u>
Total Noncurrent Liabilities	<u>1,870,313</u>
<b>TOTAL LIABILITIES</b>	<u><b>2,406,402</b></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Amounts Related to OPEB-PSERS	11,542
Amounts Related to Pensions	<u>199,349</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u><b>210,891</b></u>
<b>NET POSITION</b>	
Invested in Capital Assets	15,901
Unrestricted	<u>(1,346,665)</u>
<b>TOTAL NET POSITION</b>	<u><b>\$ (1,330,764)</b></u>

See Accompanying Notes

**Fox Chapel Area School District  
Statement of Revenues, Expenses and Changes  
in Net Position  
Proprietary Funds  
Year Ended June 30, 2020**

**Exhibit 8**

	Food Service Fund
Operating Revenues	
Food Service Revenue	\$ 711,037
Operating Expenses	
Salaries	545,490
Employee Benefits	345,630
Purchased Prof. and Tech. Services	700
Purchased Property Services	13,046
Other Purchased Services	23,685
Supplies	638,997
Depreciation	5,641
Dues and Fees	1,262
Other Operating Expenditures	4,185
Total Operating Expenses	1,578,636
Operating Income (Loss)	(867,599)
Nonoperating Revenues (Expenses)	
Earnings on Investments	6,324
State Sources	143,838
Federal Sources	586,560
Total Nonoperating Revenues (Expenses)	736,722
Change in Net Position	(130,877)
Net Position - July 1, 2019	(1,199,887)
Net Position - June 30, 2020	\$ (1,330,764)

See Accompanying Notes

**Fox Chapel Area School District  
Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2020**

**Exhibit 9**

	Food Service Fund
Cash Flows From Operating Activities	
Cash Received from Users	\$ 750,662
Cash Payments to Employees for Services	(857,846)
Cash Payments to Suppliers for Goods and Services	(587,361)
Cash Payments for Other Operating Expenses	<u>(5,447)</u>
Net Cash Provided by (Used for) Operating Activities	<u>(699,992)</u>
Cash Flows From Non-Capital Financing Activities	
State Sources	141,380
Federal Sources	<u>427,164</u>
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>568,544</u>
Cash Flows From Investing Activities	
Earnings on Investments	6,324
Loans Received (Paid)	<u>398,137</u>
Net Cash Provided by (Used for) Investing Activities	<u>404,461</u>
Net Increase (Decrease) in Cash and Cash Flows	273,013
Cash and Cash Equivalents - July 1, 2019	<u>509,179</u>
Cash and Cash Equivalents - June 30, 2020	<u>\$ 782,192</u>

**Fox Chapel Area School District  
Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2020**

**Exhibit 9**

		Food Service Fund
Operating Income (Loss)	\$	(867,599)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities		
Depreciation		5,641
Change in Pensions and OPEB Liability		33,274
Donated Commodities		91,968
(Increase) Decrease in Accounts Receivable		5,263
(Increase) Decrease in Inventories		(4,951)
Increase (Decrease) in Accounts Payable		2,050
Increase (Decrease) in Other Current Liabilities		<u>34,362</u>
 Total Adjustments		 <u>167,607</u>
 Cash Provided by (Used for) Operating Activities	 \$	 <u><u>(699,992)</u></u>

Noncash Non-Capital Financing Activities

During the year ended June 30, 2020, the School District received \$100,978 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, 2020**

**Exhibit 10**

	Agency Fund
<b>ASSETS</b>	
Cash and Cash Equivalents	<u>\$ 180,251</u>
<b>LIABILITIES</b>	
Other Current Liabilities	<u>\$ 180,251</u>

See Accompanying Notes

**Fox Chapel Area School District**  
**Notes to Financial Statements**  
**June 30, 2020**

**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, 2020**

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

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

2. Proprietary Funds

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

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

3. Fiduciary Funds

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

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

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the 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, 2020**

C. Measurement Focus and Basis of Accounting

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

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

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

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

**Fox Chapel Area School District**  
**Notes to Financial Statements**  
**June 30, 2020**

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, 2020, was \$460,526 which was paid in the year ended June 30, 2020 to Beattie and reported in the School District's general fund. The School District has no equity interest in Beattie as of June 30, 2020. 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 \$1,851,181 of supplemental budgetary appropriations made during the year ended June 30, 2020.

**Fox Chapel Area School District**  
**Notes to Financial Statements**  
**June 30, 2020**

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, 2020.

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, 2020 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, 2020**

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. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The School District has 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 position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The School District has 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. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

M. Long-Term Obligations

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

**Fox Chapel Area School District**  
**Notes to Financial Statements**  
**June 30, 2020**

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

N. Compensated Absences

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

O. Defining Operating Revenues and Expenses

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

P. Equity Classifications

Government-Wide Statements

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

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

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

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

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.

**Fox Chapel Area School District  
Notes to Financial Statements  
June 30, 2020**

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

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

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

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

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

The purposes of the nonspendable, restricted, committed and assigned fund balances as of June 30, 2020, are as follows:

**General Fund**

1. Nonspendable fund balance of \$1,194,382 is for prepaid items.
  
2. The committed fund balance of \$8,021,889 is for the following purposes:

a. Employer Retirement Future Increases	\$8,005,782
b. Arts Grants	<u>16,107</u>
	<u>\$8,021,889</u>
  
3. The assigned fund balance of \$8,917,221 is for future capital projects and/or improvements in the amount of \$8,835,832 and for athletic activities in the amount of \$81,389.

**Capital Projects Fund**

The restricted fund balance of \$234,529 is from the 2017 bond proceeds and is restricted for use on projects those bonds were issued for and the payment of capitalized interest on those bonds.

The assigned fund balance of \$421,924 in the capital projects fund is assigned for future capital projects district-wide in the amount of \$196,037 and for athletic capital development in the amount of \$225,887.

**Fox Chapel Area School District**  
**Notes to Financial Statements**  
**June 30, 2020**

**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, 2020, \$10,360,482 of the School District's bank balance of \$10,860,482 was exposed to custodial credit risk as follows:

Uninsured and Collateral Held by Pledging	
Bank's Agent not in the School District's Name	<u>\$10,360,482</u>

As of June 30, 2020, the School District had the following investments:

Investments	Fair Value
PLGIT	\$ 8,034,554
PSDLAF	10,533,645
PA Invest	449,336
First American Government Obligation Fund	159
	\$ 19,017,694

**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, 2020.

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

**Fox Chapel Area School District**  
**Notes to Financial Statements**  
**June 30, 2020**

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 the following recurring fair value measurement as of June 30, 2020:

- First American Government Obligation Fund (\$159) is valued using significant observable inputs (Level 2 inputs).

**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 2019/2020 was 19.575 mills (\$19.575 per \$1,000 assessed valuation). The tax calendar for real estate taxes levied for 2019/2020 is as follows:

Tax Levy Date	July 1, 2019
2% Discount Period	Through August 31, 2019
Face Payment Period	September 1 - October 31, 2019
10% Penalty Period	November 1 Until Liened
Lien Filing Date	July 1, 2020

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, 2020**

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 \$3,440,751, net of estimated uncollectible accounts, along with other taxes receivable of \$1,610,376.

**Note 4 - Due from Other Governments**

Amounts due from other governments represent receivables for revenues earned by the School District. At June 30, 2020, the following amounts are due from other governmental units:

	Governmental Funds	Enterprise Funds	Totals
Federal (through the state)	\$ 304,929	\$ 83,672	\$ 388,601
State	<u>3,954,554</u>	<u>3,774</u>	<u>3,958,328</u>
	<u>\$ 4,259,483</u>	<u>\$ 87,446</u>	<u>\$ 4,346,929</u>

**Note 5 - Capital Assets**

Capital asset activity for the year ended June 30, 2020, was as follows:

	Balance 07/01/19	Additions	Deletions/ Transfers	Balance 06/30/20
<b>Governmental Activities</b>				
<b>Capital Assets not Being Depreciated</b>				
Land	\$ 2,413,944	\$ -	\$ -	\$ 2,413,944
Construction in Progress	<u>17,219,670</u>	<u>6,906,093</u>	<u>(1,397,356)</u>	<u>22,728,407</u>
<b>Total Capital Assets not Being Depreciated</b>	<u>19,633,614</u>	<u>6,906,093</u>	<u>(1,397,356)</u>	<u>25,142,351</u>
<b>Capital Assets Being Depreciated</b>				
Land Improvements	12,028,876	-	1,012,588	13,041,464
Buildings and Building Improv.	143,274,764	-	229,233	143,503,997
Furniture and Equipment	<u>7,871,457</u>	<u>-</u>	<u>(5,440)</u>	<u>7,866,017</u>
<b>Total Capital Assets Being Depreciated</b>	<u>163,175,097</u>	<u>-</u>	<u>1,236,381</u>	<u>164,411,478</u>

**Fox Chapel Area School District**  
**Notes to Financial Statements**  
**June 30, 2020**

	Balance 07/01/19	Additions	Deletions/ Transfers	Balance 06/30/20
Less Accumulated Depreciation				
Land Improvements	6,148,014	488,938	-	6,636,952
Buildings and Building Improv.	61,631,073	3,752,049	-	65,383,122
Furniture and Equipment	<u>5,944,157</u>	<u>259,675</u>	<u>(3,082)</u>	<u>6,200,750</u>
Total Accumulated Depreciation	<u>73,723,244</u>	<u>4,500,662</u>	<u>(3,082)</u>	<u>78,220,824</u>
Total Capital Assets Being Depreciated, Net	<u>89,451,853</u>	<u>(4,500,662)</u>	<u>1,239,463</u>	<u>86,190,654</u>
Governmental Activities Capital Assets, Net	<u>\$ 109,085,467</u>	<u>\$ 2,405,431</u>	<u>\$ (157,893)</u>	<u>\$ 111,333,005</u>
Business-Type Activities				
Furniture and Equipment	\$ 598,595	\$ -	\$ -	\$ 598,595
Less Accumulated Depreciation and Equipment	<u>577,053</u>	<u>5,641</u>	<u>-</u>	<u>582,694</u>
Business-Type Activities Capital Assets, Net	<u>\$ 21,542</u>	<u>\$ (5,641)</u>	<u>\$ -</u>	<u>\$ 15,901</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities

Instruction	\$ 3,862,023
Instructional Student Support	16,489
Administration and Financial Support Services	235,937
Operation and Maintenance of Plant Services	164,407
Student Activities	<u>221,806</u>
Total Depreciation Expense	<u>\$ 4,500,662</u>

Business-Type Activities

Food Service	<u>\$ 5,641</u>
--------------	-----------------

**Note 6 - Interfund Balances and Transfers**

At June 30, 2020, interfund balances were:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 437,029	\$ 148,409
Food Service	-	435,942
Capital Projects Fund	<u>148,409</u>	<u>1,087</u>
	<u>\$ 585,438</u>	<u>\$ 585,438</u>

**Fox Chapel Area School District**  
**Notes to Financial Statements**  
**June 30, 2020**

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, 2020, interfund transfers consisted of the following:

<u>Transfers To</u>	<u>Transfer From</u>		Total
	General Fund	Agency Fund	
General Fund	\$ -	\$ 24,195	\$ 24,195
Capital Projects Fund	1,407,976	-	1,407,976
	\$ 1,407,976	\$ 24,195	\$ 1,432,171

The general fund transferred \$24,976 to the athletic capital projects fund to fund current and future capital projects which represented a portion of athletic event ticket sales dedicated to capital projects and transferred \$1,383,000 to the capital projects fund to fund capital projects. The Activity fund transferred \$24,195 to the general fund for reimbursement of expenses.

**Note 7 - Long-Term Liabilities**

Long-term liability for the year ended June 30, 2020 was as follows:

	Balance 07/01/19	Additions	Reductions	Balance 06/30/20	Due Within One Year
Governmental Activities					
Bonds Payable					
General Obligation Bonds	\$ 67,735,000	\$ -	\$ 1,730,000	\$ 66,005,000	\$ 1,800,000
Plus: Bond Premium	9,484,785	-	545,374	8,939,411	-
Total Bonds Payable	77,219,785	-	2,275,374	74,944,411	1,800,000
General Obligation Notes	1,854,752	-	150,932	1,703,820	158,712
Capital Leases Payable	579,558	622,910	536,545	665,923	458,292
Compensated Absences	4,524,949	-	96,373	4,428,576	265,715
Governmental Activities					
Long-Term Liabilities	\$ 84,179,044	\$ 622,910	\$ 3,059,224	\$ 81,742,730	\$ 2,682,719

**Fox Chapel Area School District  
Notes to Financial Statements  
June 30, 2020**

General Obligation Bonds

Capital Projects - \$43,535,000 Issue of 2013; due in annual installments through August 1, 2024; interest due semi-annually at 0.50% to 5.0%	\$ 36,940,000
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>29,065,000</u>
	<u>\$ 66,005,000</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>\$ 1,703,820</u>
--	---------------------

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, 2020, including interest, are as follows:

Year Ended	General Obligation Bonds		General Obligation Notes		Totals
June 30,	Principal	Interest	Principal	Interest	
2021	\$ 1,800,000	\$ 3,193,550	\$ 158,712	\$ 57,206	\$ 5,209,468
2022	1,875,000	3,120,182	166,492	49,076	5,210,750
2023	1,950,000	3,043,805	175,050	40,538	5,209,393
2024	2,040,000	2,953,942	183,608	31,571	5,209,121
2025	2,145,000	2,849,447	192,944	22,157	5,209,548
2026-2030	12,495,000	12,481,597	827,014	36,010	25,839,621
2031-2035	16,005,000	8,967,987	-	-	24,972,987
2036-2040	19,940,000	5,026,500	-	-	24,966,500
2041-2042	<u>7,755,000</u>	<u>545,250</u>	<u>-</u>	<u>-</u>	<u>8,300,250</u>
	<u>\$66,005,000</u>	<u>\$42,182,260</u>	<u>\$1,703,820</u>	<u>\$ 236,558</u>	<u>\$ 110,127,638</u>

**Note 8 - Capital Lease**

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

**Fox Chapel Area School District**  
**Notes to Financial Statements**  
**June 30, 2020**

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2020, were as follows:

Year Ended June 30,	Governmental Activities
2021	\$ 465,427
2022	209,685
Total minimum lease payments	675,112
Less: Amount representing Interest	(9,189)
Present Value of Minimum Lease Payments	\$ 665,923

**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](http://www.psers.pa.gov).

2. Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F).

**Fox Chapel Area School District**  
**Notes to Financial Statements**  
**June 30, 2020**

To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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

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

3. Contributions

Member Contributions

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

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

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

Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation.

Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

**Fox Chapel Area School District**  
**Notes to Financial Statements**  
**June 30, 2020**

Employer Contributions

The School District's contractually required contribution rate for fiscal year ended June 30, 2020 was 33.36% 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 \$15,776,103 for the year ended June 30, 2020.

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

At June 30, 2020, the School District reported a liability of \$158,921,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2018 to June 30, 2019. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the School District's proportion was 0.3397%, which was a decrease of 0.0004% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the School District recognized pension expense of \$19,489,780. At June 30, 2020, 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	\$ 875,000	\$ 5,267,000
Net difference between projected and actual investment earnings	-	455,000
Change in assumptions	1,519,000	-
Changes in proportions	12,125,000	11,987,000
Difference between employer contributions and proportionate share of total contributions	596,920	-
Contributions subsequent to the measurement date	<u>15,776,103</u>	<u>-</u>
	<u>\$30,892,023</u>	<u>\$ 17,709,000</u>

\$15,776,103 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, 2021.

**Fox Chapel Area School District**  
**Notes to Financial Statements**  
**June 30, 2020**

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,	
2021	\$ 2,538,565
2022	(3,841,577)
2023	(1,592,075)
2024	<u>302,007</u>
	<u>\$ (2,593,080)</u>

1. Actuarial Assumptions

The total pension liability as of June 30, 2019 was determined by rolling forward the System's total pension liability at June 30, 2018 to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2015.

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

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

**Fox Chapel Area School District  
Notes to Financial Statements  
June 30, 2020**

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	20.0%	5.6%
Fixed Income	36.0%	1.9%
Commodities	8.0%	2.7%
Absolute return	10.0%	3.4%
Risk parity	10.0%	4.1%
Infrastructure/MLPs	8.0%	5.5%
Real estate	10.0%	4.1%
Alternative investments	15.0%	7.4%
Cash	3.0%	0.3%
Financing (LIBOR)	<u>-20.0%</u>	0.7%
	<u>100%</u>	

The above was the Board’s adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2019.

2. Discount Rate

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

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

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

	(In Thousands)		
	1.00%	Current	1.00%
	Decrease	Discount Rate	Increase
	6.25%	7.25%	8.25%
School District's proportionate share of the net pension liability	\$ 197,953	\$ 158,921	\$ 125,870

**Fox Chapel Area School District**  
**Notes to Financial Statements**  
**June 30, 2020**

4. Pension Plan Fiduciary Net Position

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

**Note 10 - Tax Shelter Annuity**

Under the current Act 93 agreement which is effective for the period July 1, 2016 through June 30, 2021, the School District will contribute \$1 for every \$2 contributed into a tax-sheltered annuity of the employee's choice. The maximum per employee board contribution in each year of the agreement shall not exceed \$6,000. The total contributed by the School District in the year ended June 30, 2020, was \$89,265.

**Note 11 - Contingent Liabilities**

Fox Chapel Area School District participates in a number of federally assisted grant programs, principal of which are Title I and IDEA. The programs are subject to program compliance audits by the grantors or their representatives. The audits of some of these programs for and including the year ended June 30, 2020 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.

The COVID-19 outbreak in the United States has caused business disruption and economic uncertainties. The School District's operations are heavily dependent on the ability to raise and collect taxes and assess fees. Additionally, access to grants and contracts from federal, state and local governments may decrease or may not be available depending on appropriations. The outbreak may have a continued adverse impact on economic and market conditions. This situation is expected to impact the School District's operating results and the fair value of its investments, however, the financial impact of these uncertainties is unknown at this time.

**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.

**Fox Chapel Area School District**  
**Notes to Financial Statements**  
**June 30, 2020**

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 Administrators is in effect through June 30, 2021.

The incentive states: The disbursement of \$300 per month offered in the 2014-2019 FCEA Collective Bargaining Agreement Retirement Plan (item #1) can be extended, for those members who choose to retire after the 2015-2016 school year, for 10 years or until member reaches other government-sponsored insurance eligibility (currently 65 years of age), whichever is longer. The District shall assess a 2% administrative fee above the cost of premiums for coverage that is provided.

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.

Note: Effective July 1, 2018 and ending June 30, 2020, a new incentive went into effect for Teachers and Administrators. The incentive provides for a postretirement medical benefit for a period of 10 years or attainment of age 65, whichever occurs first. In order to be eligible for this incentive, a Teacher/Administrator must have provided written notice of their intent to retire within a designated timeframe.

For all tiers other than Family, the Teacher/Administrator is required to contribute the \$100 monthly PSERS allowance. For Family coverage, the Teacher/Administrator will be required to contribute the \$100 PSERS allowance plus the difference between the Family and the Husband/Wife rate.

**Fox Chapel Area School District**  
**Notes to Financial Statements**  
**June 30, 2020**

Prior Incentives

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

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

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

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

Benefit Duration

Benefits are provided to the 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.

Contributions

The amount a retiree must contribute toward post-retirement medical coverage depends on whether or not the employee retired under a retirement incentive. Retirees who did not retire under an incentive must pay 100% of the cost of coverage.

2) Life Insurance

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

3) Dental/Vision

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

All retirees must pay for 100% of the cost of dental and/or vision benefits. These benefits are provided until the retiree and/or spouse attains Medicare eligibility.

4) Long-Term Disability

For those employees who are in receipt of a disability pension through PSERS, the School District will allow the individual to continue medical coverage up to age 65, provided that the individual contributes 100% of the premium rate.

**Fox Chapel Area School District**  
**Notes to Financial Statements**  
**June 30, 2020**

5) Employees Covered by Benefit Terms

At July 1, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	53
Active employees	<u>484</u>
	<u>537</u>

C. Total OPEB Liability

The School District's total OPEB liability of \$13,704,982 was measured as of July 1, 2019 and was determined by an actuarial valuation as of that date.

D. Actuarial Methods and Assumptions

The total OPEB liability in the July 1, 2019 actuarial valuation and the 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	3.50%
Healthcare Cost Trend Rates	6.75% for 2019/2020 decreasing by 0.25% through 2029

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

Mortality rates were based on the RPH-2014 Total Dataset Mortality Table projected using Scale MP-2018.

The actuarial assumptions used in the July 1, 2019 valuation were selected using input from the School District based upon actual experience.

E. Change in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2019	\$ 12,645,582
Changes for the year:	
Service Cost	455,645
Interest	489,384
Difference between expected and actual experience	564,963
Changes of assumptions or other inputs	130,606
Benefit Payments	<u>(581,198)</u>
Net Changes	<u>1,059,400</u>
Balance at June 30, 2020	<u>\$ 13,704,982</u>

**Fox Chapel Area School District**  
**Notes to Financial Statements**  
**June 30, 2020**

F. Changes of Assumptions and Other Inputs

- Updated the discount rate from 3.87% to 3.50%.

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 (2.50%) or one percentage point higher (4.50%) than the current discount rate:

	1.00% Decrease 2.50%	Current Discount Rate 3.50%	1.00% Increase 4.50%
Total OPEB Liability	\$ 14,347,937	\$ 13,704,982	\$ 13,027,409

H. Sensitivity of the Total Liability to Changes in the Healthcare Cost Trend Rates

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

	1.00% Decrease	Healthcare Cost Trend Rates	1.00% Increase
Total OPEB Liability	\$ 12,838,833	\$ 13,704,982	\$ 14,456,891

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

For the year ended June 30, 2020, the School District recognized OPEB Expense of \$201,454. At June 30, 2020, 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	\$ 354,623	\$ 155,171
Difference between expected and actual experience	688,973	-
Benefit payments subsequent to the measurement date	780,495	-
	<u>\$ 1,824,091</u>	<u>\$ 155,171</u>

**Fox Chapel Area School District**  
**Notes to Financial Statements**  
**June 30, 2020**

The \$780,495 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,	
2021	\$ 86,636
2022	86,636
2023	86,636
2024	86,636
2025	86,636
Thereafter	<u>455,245</u>
	<u>\$ 888,425</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.

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, 2019, there were no assumed future benefit increases to participating eligible retirees.

**Fox Chapel Area School District**  
**Notes to Financial Statements**  
**June 30, 2020**

2. Premium Assistance Eligibility Criteria

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

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

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](http://www.psers.pa.gov).

4. Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2019, there were no assumed future benefit increases to participating eligible retirees.

Employer Contributions

The School District's contractually required contribution rate for fiscal year ended June 30, 2020 was 0.84% 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 \$397,240 for the year ended June 30, 2020.

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

At June 30, 2020, the School District reported a liability of \$7,225,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, 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, 2018 to June 30, 2019. 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, 2020, the School District's proportion was 0.3397%, which was an decrease of 0.0004% from its proportion measured as of June 30, 2019.

**Fox Chapel Area School District**  
**Notes to Financial Statements**  
**June 30, 2020**

For the year ended June 30, 2020, the School District recognized OPEB expense of \$274,061. At June 30, 2020, 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	\$ 41,000	\$ -
Changes in assumptions	239,000	215,000
Net difference between projected and actual investment earnings	12,000	-
Changes in proportions	595,000	810,000
Difference between employer contributions and proportionate share of total contributions	15,617	-
Contributions subsequent to the measurement date	<u>397,240</u>	<u>-</u>
	<u>\$ 1,299,857</u>	<u>\$ 1,025,000</u>

\$397,240 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 pension liability in the year ended June 30, 2021. 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,	
2021	\$ (73,549)
2022	(73,549)
2023	(82,486)
2024	(84,799)
2025	169,000
Thereafter	<u>23,000</u>
	<u>\$ (122,383)</u>

1. Actuarial Assumptions

The total OPEB liability as of June 30, 2019 was determined by rolling forward the System's total OPEB liability at June 30, 2018 to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 2.79 %, S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.

**Fox Chapel Area School District**  
**Notes to Financial Statements**  
**June 30, 2020**

- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- 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, 2017 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2015.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2016 determined the employer contribution rate for fiscal year 2019.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

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.

**Fox Chapel Area School District**  
**Notes to Financial Statements**  
**June 30, 2020**

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	13.2%	0.20%
US Core Fixed Income	83.1%	1.00%
Non-US Developed Fixed	<u>3.7%</u>	0.00%
	<u>100%</u>	

The above was the Board’s adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2019.

2. Discount Rate

The discount rate used to measure the Total OPEB Liability was 2.79%. Under the plan’s funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan’s fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a “pay-as-you-go” plan. A discount rate of 2.79% which represents the S&P 20 year Municipal Bond Rate at June 30, 2019, 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, 2019, 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, 2019, 93,339 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2019, 780 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, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if its health cost trends were 1 percentage point lower or 1 percentage point higher than the current rate:

	(In Thousands)		
	1.00% Decrease	Current Rate	1.00% Increase
System net OPEB Liability	\$ 7,224	\$ 7,225	\$ 7,226

**Fox Chapel Area School District  
Notes to Financial Statements  
June 30, 2020**

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

The following presents the net OPEB liability, calculated using the discount rate of 2.79%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.79%) or 1 percentage point higher (3.79%) than the current rate:

	(In Thousands)		
	1.00%	Current	1.00%
	Decrease	Discount Rate	Increase
	1.79%	2.79%	3.79%
School District's proportionate share of the net OPEB liability	\$ 8,231	\$ 7,225	\$ 6,391

5. OPEB Plan Fiduciary Net Position

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

**Note 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 \$9,906,309 and \$9,671,465 for the years ended June 30, 2020 and 2019, 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, 2020, the net position of the Consortium was \$75,471,061 of which \$2,418,924 is attributable to the School District.

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

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

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

**Fox Chapel Area School District**  
**Notes to Financial Statements**  
**June 30, 2020**

**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, 2020, was \$9,835,172.

This includes \$8,107,007 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 \$1,728,165 to the federal government for social security and Medicare taxes for the year ended June 30, 2020. 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 - Operating Lease**

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

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

Year Ended June 30,	Amount
2021	<u>\$ 232,821</u>

**Note 17 - Construction Commitment**

As of June 30, 2020, the School District had construction commitments in the amount of approximately \$822,400 for various capital projects. It is anticipated these projects will be completed in the 2020/2021 fiscal year.

**Note 18- Subsequent Events**

The School District entered into a capital lease agreement in the amount of \$139,372 effective July 10, 2020 for the purchase of computer equipment. The lease term is thirty-six (36) months with annual payments through July 10, 2022.

**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, 2020**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local Sources				
Taxes				
Current Real Estate Taxes	\$ 64,383,465	\$ 64,383,465	\$ 64,762,647	\$ 379,182
Public Utility Realty Taxes	73,000	68,364	68,364	-
Payments in Lieu of Current Taxes	15,000	15,000	17,444	2,444
Local Services Taxes	101,000	101,000	94,764	(6,236)
Earned Income Taxes	7,710,000	7,710,000	8,018,630	308,630
Real Estate Transfer Taxes	1,000,000	1,000,000	824,067	(175,933)
Delinquencies on Taxes	2,700,000	2,700,000	2,372,781	(327,219)
Earnings on Investments	900,000	900,000	702,531	(197,469)
Other Local Revenues				
Revenue from Student Activities	195,450	228,536	210,038	(18,498)
State Revenues from IU	-	3,218	3,218	-
Federal Revenues from IU	552,000	518,504	518,504	-
Contributions & Donations from Private Sources	120,500	207,043	92,354	(114,689)
Rentals	40,000	40,000	41,919	1,919
Tuition from other LEAs	77,000	77,000	-	(77,000)
Svcs. Prov. Other Local Gov't. Units	120,000	131,870	179,029	47,159
Refund of Prior Year's Expenditures	50,000	50,000	72,341	22,341
Miscellaneous Revenue	65,000	65,000	49,834	(15,166)
Total Revenues from Local Sources	78,102,415	78,199,000	78,028,465	(170,535)
State Sources				
Basic Instructional & Oper. Subsidies				
Basic Instructional Subsidy	4,013,389	3,785,191	3,785,155	(36)
Subsidies for Spec. Educ. Programs				
Special Education of Excep. Pupils	2,424,158	2,572,191	2,567,777	(4,414)
Subsidies for Noneduc. Programs				
Transportation (Regular & Additional)	1,450,000	1,450,000	1,400,168	(49,832)
Rentals & Sinking Fund Payments	523,767	523,767	525,972	2,205
Ready to Learn Block Grant	-	205,030	205,030	-

**Fox Chapel Area School District  
Schedule of Revenues, Expenditures  
and Changes in Fund Balance  
General Fund – Budget and Actual  
Year Ended June 30, 2020**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Health Services	96,000	79,662	79,662	-
State Property Tax Reduction	1,471,950	1,471,950	1,471,950	-
Safe Schools Grant	-	303,886	214,902	(88,984)
Social Security Payments	1,783,000	1,783,000	1,707,649	(75,351)
State Retirement Revenue	<u>7,990,000</u>	<u>7,990,000</u>	<u>8,019,349</u>	<u>29,349</u>
 Total Revenues from State Sources	 <u>19,752,264</u>	 <u>20,164,677</u>	 <u>19,977,614</u>	 <u>(187,063)</u>
 Federal Sources				
Gov't. through the Commonwealth				
Title I	427,603	424,328	424,328	-
Title II	97,433	94,346	94,346	-
Title III	9,000	3,615	3,615	-
Title IV	-	32,162	32,162	-
CARES Act Funding	-	-	35,024	35,024
Medical Assistance - Access	250,000	250,000	250,000	-
Medical Assistance - Admin.	<u>2,000</u>	<u>2,000</u>	<u>5,749</u>	<u>3,749</u>
 Total Revenues from Federal Sources	 <u>786,036</u>	 <u>806,451</u>	 <u>845,224</u>	 <u>38,773</u>
 Total Revenues	 <u>98,640,715</u>	 <u>99,170,128</u>	 <u>98,851,303</u>	 <u>(318,825)</u>
 Other Financing Sources				
Fund Transfer				
Student Activity Fund	-	24,195	24,195	-
Sale of Capital Assets	100,000	100,000	56,809	(43,191)
Proceeds from Extended Term Financing	<u>647,351</u>	<u>622,910</u>	<u>622,910</u>	<u>-</u>
 Total Other Financing Sources	 <u>747,351</u>	 <u>747,105</u>	 <u>703,914</u>	 <u>(43,191)</u>
 Total Revenues and Other Financing Sources	 <u>99,388,066</u>	 <u>99,917,233</u>	 <u>99,555,217</u>	 <u>(362,016)</u>

**Fox Chapel Area School District  
Schedule of Revenues, Expenditures  
and Changes in Fund Balance  
General Fund – Budget and Actual  
Year Ended June 30, 2020**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Instruction				
Regular Programs				
Personal Services				
Salaries	27,607,722	27,557,626	27,531,646	25,980
Employee Benefits	17,644,706	17,414,073	17,342,696	71,377
Purchased Prof. and Tech. Services	1,102,365	1,029,052	953,381	75,671
Purchased Property Services	50,056	55,726	29,848	25,878
Other Purchased Services	710,157	759,289	702,903	56,386
Supplies	1,016,011	1,049,837	861,789	188,048
Property	107,670	145,714	112,755	32,959
Other Objects	30,033	38,118	23,112	15,006
Total Regular Programs	<u>48,268,720</u>	<u>48,049,435</u>	<u>47,558,130</u>	<u>491,305</u>
Special Programs				
Personal Services				
Salaries	5,959,261	6,206,397	6,238,711	(32,314)
Employee Benefits	3,796,070	3,877,554	3,906,045	(28,491)
Purchased Prof. and Tech. Services	927,900	957,900	776,830	181,070
Purchased Property Services	1,824	17,824	17,908	(84)
Other Purchased Services	1,188,045	1,764,536	1,827,685	(63,149)
Supplies	68,563	65,976	45,851	20,125
Property	16,669	16,809	4,587	12,222
Other Objects	9,730	11,118	6,698	4,420
Total Special Programs	<u>11,968,062</u>	<u>12,918,114</u>	<u>12,824,315</u>	<u>93,799</u>
Vocational Education Programs				
Other Purchased Services	<u>686,405</u>	<u>686,405</u>	<u>676,605</u>	<u>9,800</u>
Other Instructional Programs				
Personal Services				
Salaries	686,405	673,886	555,150	118,736
Employee Benefits	354,057	337,665	275,527	62,138
Purchased Prof. and Tech. Services	55,800	55,097	9,986	45,111
Other Purchased Services	71,100	71,777	65,156	6,621
Supplies	36,945	36,077	19,739	16,338
Property	1,860	1,860	-	1,860
Other Objects	-	18,992	-	18,992
Total Other Instructional Programs	<u>1,206,167</u>	<u>1,195,354</u>	<u>925,558</u>	<u>269,796</u>

**Fox Chapel Area School District  
Schedule of Revenues, Expenditures  
and Changes in Fund Balance  
General Fund – Budget and Actual  
Year Ended June 30, 2020**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Nonpublic School Programs				
Purchased Prof. and Tech. Services	28,188	13,605	13,605	-
Pre-Kindergarten				
Personal Services				
Salaries	150,841	176,418	177,464	(1,046)
Employee Benefits	102,461	111,022	106,931	4,091
Supplies	19,075	16,475	8,107	8,368
Total Pre-Kindergarten	272,377	303,915	292,502	11,413
Total Instruction	62,429,919	63,166,828	62,290,715	876,113
Support Services				
Pupil Personnel				
Personal Services				
Salaries	1,999,198	2,065,342	2,120,363	(55,021)
Employee Benefits	1,259,919	1,313,458	1,312,562	896
Purchased Prof. and Tech. Services	239,516	239,516	230,055	9,461
Purchased Property Services	24,000	24,000	7,131	16,869
Other Purchased Services	1,650	1,723	820	903
Supplies	188,974	192,087	164,211	27,876
Property	117,020	160,795	112,733	48,062
Other Objects	68,700	68,779	58,038	10,741
Total Pupil Personnel	3,898,977	4,065,700	4,005,913	59,787
Instructional Staff				
Personal Services				
Salaries	2,046,414	2,013,031	2,008,524	4,507
Employee Benefits	1,269,673	1,203,920	1,231,620	(27,700)
Purchased Prof. and Tech. Services	153,058	140,285	105,487	34,798
Purchased Property Services	44,000	44,000	10,307	33,693
Other Purchased Services	26,143	38,495	14,407	24,088
Supplies	491,337	509,659	436,469	73,190
Property	702,909	694,823	689,489	5,334
Other Objects	9,432	10,518	5,103	5,415
Total Instructional Staff	4,742,966	4,654,731	4,501,406	153,325

**Fox Chapel Area School District  
Schedule of Revenues, Expenditures  
and Changes in Fund Balance  
General Fund – Budget and Actual  
Year Ended June 30, 2020**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Administration</b>				
Personal Services				
Salaries	3,243,669	3,279,169	3,414,560	(135,391)
Employee Benefits	1,739,376	1,724,441	1,703,429	21,012
Purchased Prof. and Tech. Services	989,600	958,936	895,433	63,503
Purchased Property Services	5,215	5,315	2,414	2,901
Other Purchased Services	111,665	122,502	95,538	26,964
Supplies	143,000	146,854	80,097	66,757
Property	16,500	12,957	5,499	7,458
Other Objects	124,510	124,530	111,218	13,312
	<u>6,373,535</u>	<u>6,374,704</u>	<u>6,308,188</u>	<u>66,516</u>
<b>Total Administration</b>				
<b>Pupil Health</b>				
Personal Services				
Salaries	497,542	469,989	468,714	1,275
Employee Benefits	308,817	274,693	273,099	1,594
Purchased Prof. and Tech. Services	19,314	31,343	28,525	2,818
Purchased Property Services	2,100	2,100	305	1,795
Other Purchased Services	250	250	-	250
Supplies	6,300	10,069	7,237	2,832
Other Objects	675	675	650	25
	<u>834,998</u>	<u>789,119</u>	<u>778,530</u>	<u>10,589</u>
<b>Total Pupil Health</b>				
<b>Business</b>				
Personal Services				
Salaries	404,935	417,878	429,150	(11,272)
Employee Benefits	269,091	266,479	266,779	(300)
Purchased Prof. and Tech. Services	47,760	47,760	46,892	868
Purchased Property Services	514,279	515,510	583,857	(68,347)
Other Purchased Services	250	392	213	179
Supplies	171,003	179,215	189,632	(10,417)
Other Objects	8,305	4,358	-	4,358
	<u>1,415,623</u>	<u>1,431,592</u>	<u>1,516,523</u>	<u>(84,931)</u>
<b>Total Business</b>				

**Fox Chapel Area School District  
Schedule of Revenues, Expenditures  
and Changes in Fund Balance  
General Fund – Budget and Actual  
Year Ended June 30, 2020**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Oper. and Maint. of Plant Svcs.				
Personal Services				
Salaries	2,964,631	3,148,433	3,181,453	(33,020)
Employee Benefits	2,057,601	2,098,169	2,127,420	(29,251)
Purchased Prof. and Tech. Services	506,000	510,058	408,102	101,956
Purchased Property Services	727,750	728,658	575,139	153,519
Other Purchased Services	242,600	248,026	252,395	(4,369)
Supplies	1,475,942	1,538,481	1,482,149	56,332
Property	116,500	160,085	83,166	76,919
Other Objects	3,200	4,093	4,486	(393)
	<u>8,094,224</u>	<u>8,436,003</u>	<u>8,114,310</u>	<u>321,693</u>
Total Oper. and Maint. of Plant Svcs.				
Student Transportation Services				
Personal Services				
Salaries	99,331	100,366	102,053	(1,687)
Employee Benefits	58,957	59,289	63,729	(4,440)
Purchased Prof. and Tech. Services	3,600	23,600	29,000	(5,400)
Other Purchased Services	4,337,107	4,337,107	3,568,805	768,302
	<u>4,498,995</u>	<u>4,520,362</u>	<u>3,763,587</u>	<u>756,775</u>
Total Student Transportation Services				
Central				
Personal Services				
Salaries	165,388	165,343	165,429	(86)
Employee Benefits	131,281	167,546	195,152	(27,606)
Purchased Prof. and Tech. Services	116,705	113,560	67,468	46,092
Purchased Property Services	40,100	45,839	33,519	12,320
Other Purchased Services	67,110	58,417	28,781	29,636
Supplies	141,670	161,028	157,845	3,183
Property	30,000	25,200	6,385	18,815
Other Objects	150	615	464	151
	<u>692,404</u>	<u>737,548</u>	<u>655,043</u>	<u>82,505</u>
Total Central				
Other				
Other Purchased Services	100,088	100,088	93,732	6,356
Supplies	12,000	12,000	7,917	4,083
	<u>112,088</u>	<u>112,088</u>	<u>101,649</u>	<u>10,439</u>
Total Other				
Total Support Services	<u>30,663,810</u>	<u>31,121,847</u>	<u>29,745,149</u>	<u>1,376,698</u>

**Fox Chapel Area School District  
Schedule of Revenues, Expenditures  
and Changes in Fund Balance  
General Fund – Budget and Actual  
Year Ended June 30, 2020**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Noninstructional Services</b>				
<b>Student Activities</b>				
<b>Personal Services</b>				
Salaries	1,363,292	1,332,179	1,353,550	(21,371)
Employee Benefits	574,531	576,167	598,839	(22,672)
Purchased Prof. and Tech. Services	111,370	111,370	97,375	13,995
Purchased Property Services	93,665	95,997	76,186	19,811
Other Purchased Services	271,935	259,738	184,751	74,987
Supplies	163,763	182,482	158,939	23,543
Property	48,500	68,698	68,698	-
Other Objects	51,726	51,671	35,206	16,465
	<u>2,678,782</u>	<u>2,678,302</u>	<u>2,573,544</u>	<u>104,758</u>
<b>Community Services</b>				
Purchased Prof. and Tech. Services	40,000	39,462	47,278	(7,816)
Purchased Property Services	-	410	410	-
Supplies	9,000	4,128	3,679	449
Other Objects	8,000	11,881	7,387	4,494
	<u>57,000</u>	<u>55,881</u>	<u>58,754</u>	<u>(2,873)</u>
<b>Scholarship and Awards</b>				
Other Objects	-	2,500	5,000	(2,500)
	<u>2,735,782</u>	<u>2,736,683</u>	<u>2,637,298</u>	<u>99,385</u>
<b>Facilities Acquisition, Construction and Improvement Services</b>				
Purchased Prof. and Tech. Services	-	540	20,482	(19,942)
Purchased Property Services	233,700	236,410	57,741	178,669
Supplies	20,400	20,400	1,298	19,102
Property	-	194,267	194,267	-
	<u>254,100</u>	<u>451,617</u>	<u>273,788</u>	<u>177,829</u>

**Fox Chapel Area School District  
Schedule of Revenues, Expenditures  
and Changes in Fund Balance  
General Fund – Budget and Actual  
Year Ended June 30, 2020**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Debt Service				
Interest	3,270,822	3,270,822	3,270,820	2
Refunds of Prior Year's Receipts	50,000	166,357	132,085	34,272
Redemption of Principal	<u>2,270,800</u>	<u>2,270,800</u>	<u>2,266,545</u>	<u>4,255</u>
Total Debt Service	<u>5,591,622</u>	<u>5,707,979</u>	<u>5,669,450</u>	<u>38,529</u>
Total Expenditures	<u>101,675,233</u>	<u>103,184,954</u>	<u>100,616,400</u>	<u>2,568,554</u>
Other Financing Uses				
Fund Transfers				
Capital Projects Fund	22,000	1,405,000	1,407,976	(2,976)
Food Service Fund	4,000	4,000	-	4,000
Budgetary Reserve	<u>2,101,841</u>	<u>1,060,301</u>	<u>-</u>	<u>1,060,301</u>
Total Other Financing Uses	<u>2,127,841</u>	<u>2,469,301</u>	<u>1,407,976</u>	<u>1,061,325</u>
Total Expenditures and Other Financing Uses	<u>103,803,074</u>	<u>105,654,255</u>	<u>102,024,376</u>	<u>3,629,879</u>
Net Change in Fund Balance	(4,415,008)	(5,737,022)	(2,469,159)	3,267,863
Fund Balance - July 1, 2019	<u>23,653,137</u>	<u>23,653,137</u>	<u>23,903,879</u>	<u>250,742</u>
Fund Balance - June 30, 2020	<u>\$ 19,238,129</u>	<u>\$ 17,916,115</u>	<u>\$ 21,434,720</u>	<u>\$ 3,518,605</u>

**Fox Chapel Area School District**  
**Note to the Required Supplementary Information**  
**Budget Comparison**  
**June 30, 2020**

**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 Four Years**

	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB Liability				
Service Cost	\$ 455,645	\$ 445,227	\$ 204,684	\$ -
Interest	489,384	440,475	278,495	-
Change of benefit terms	(49,716)	-	4,728,579	-
Difference between expected and actual experience	564,963	-	228,120	-
Change of assumptions and other inputs	180,322	(186,205)	252,436	-
Benefit Payments	<u>(581,198)</u>	<u>(357,675)</u>	<u>(350,917)</u>	<u>-</u>
Net Change in Total OPEB Liability	1,059,400	341,822	5,341,397	-
Total OPEB Liability - Beginning	<u>12,645,582</u>	<u>12,303,760</u>	<u>6,962,363</u>	<u>-</u>
Total OPEB Liability - Ending	<u>\$ 13,704,982</u>	<u>\$ 12,645,582</u>	<u>\$ 12,303,760</u>	<u>\$ 6,962,363</u>
Covered-Employee Payroll	\$ 39,465,889	\$ 39,828,273	\$ 38,856,852	\$ 41,467,596
Total OPEB Liability as a Percentage of Covered-Employee Payroll	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:

2020	3.50%
2019	3.87%

Changes were made to the mortality improvement scale, medical and vision trend rates.

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 Six Years**

	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually Required Contribution	\$ 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>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>				
School District's Covered Payroll	\$ 47,488,347	\$ 46,855,076	\$ 45,805,695	\$ 40,081,109	\$ 47,431,251	\$ 42,692,360
Contributions as a Percentage of Covered Payroll	33.37%	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 Seven Years  
(Dollar Amount in Thousands)**

	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)	0.3397%	0.3401%	0.3010%	0.3662%	0.3318%	0.3228%	0.3187%
School District's Proportionate Share of the Net Pension Liability (Asset)	\$ 158,921	\$ 163,265	\$ 148,659	\$ 181,477	\$ 143,720	\$ 127,766	\$ 130,463
School District's Covered Payroll	\$ 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	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	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%	54.49%

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

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

	June 30, 2020	June 30, 2019	June 30, 2018
Contractually Required Contribution	\$ 397,240	\$ 385,609	\$ 381,570
Contributions in Relation to the Contractually Required Contribution	<u>397,240</u>	<u>385,609</u>	<u>381,570</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll	\$47,488,347	\$46,855,076	\$ 45,805,695
Contributions as a Percentage of Covered Payroll	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 Three Years  
(Dollar Amount in Thousands)**

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

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

**SINGLE AUDIT SECTION**

**HOSACK, SPECHT, MUETZEL & WOOD LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
**2 PENN CENTER WEST, SUITE 326**  
**PITTSBURGH, PENNSYLVANIA 15276**  
**PHONE - 412-343-9200**  
**FAX - 412-343-9209**  
**HSMW@HSMWCPA.COM**  
**WWW.HSMWCPA.COM**

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, 2020 were prepared to fulfill the requirements of the Government Auditing Standards and the Uniform Grant Guidance. A summary of the reports are as follows:

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

Respectfully submitted,

*Hosack, Specht, Muetzel & Wood LLP*

HOSACK, SPECHT, MUETZEL & WOOD LLP  
Pittsburgh, Pennsylvania  
December 18, 2020

**HOSACK, SPECHT, MUETZEL & WOOD LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
**2 PENN CENTER WEST, SUITE 326**  
**PITTSBURGH, PENNSYLVANIA 15276**  
**PHONE - 412-343-9200**  
**FAX - 412-343-9209**  
**HSMW@HSMWCPA.COM**  
**WWW.HSMWCPA.COM**

**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, 2020, 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 18, 2020.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

*Hosack, Specht, Muetzel & Wood LLP*

HOSACK, SPECHT, MUETZEL & WOOD LLP  
Pittsburgh, Pennsylvania  
December 18, 2020

**HOSACK, SPECHT, MUETZEL & WOOD LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
**2 PENN CENTER WEST, SUITE 326**  
**PITTSBURGH, PENNSYLVANIA 15276**  
**PHONE - 412-343-9200**  
**FAX - 412-343-9209**  
**HSMW@HSMWCPA.COM**  
**WWW.HSMWCPA.COM**

**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**

We have audited Fox Chapel Area School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Fox Chapel Area School District's major federal programs for the year ended June 30, 2020. Fox Chapel Area School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Fox Chapel Area School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Fox Chapel Area School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Fox Chapel Area School District's compliance.

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

In our opinion, Fox Chapel Area School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

**Report on Internal Control Over Compliance**

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

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

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

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 18, 2020



**Fox Chapel Area School District  
Schedule of Findings and Questioned Costs  
June 30, 2020**

**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, 2020**

**Exhibit D**

Federal Grantor/ Pass Through Grantor/ Project Title	Source Code	Federal CFDA Number	Pass Through Grantor's Number	Grant Period Beginning/ Ending Date	Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue 07/01/19	Revenue Recognized	Expendi- tures	Accrued or (Deferred) Revenue 06/30/20
U.S. Department of Education										
Passed through the Pennsylvania										
Department of Education										
Title I	I	84.010	013-190154	07/30/18-09/30/19	\$ 429,723	\$ 147,579	\$ 147,579	\$ -	\$ -	\$ -
Title I	I	84.010	013-200154	07/01/19-09/30/20	424,328	424,328	-	424,328	424,328	-
						571,907	147,579	424,328	424,328	-
Title II Improving Teacher Quality	I	84.367	020-190154	07/30/18-09/30/19	96,942	7,265	7,265	-	-	-
Title II Improving Teacher Quality	I	84.367	020-200154	07/01/19-09/30/20	94,346	88,134	-	94,346	94,346	6,212
						95,399	7,265	94,346	94,346	6,212
Title IV Student Sup. and Acad. Enrichment	I	84.424	144-190154	07/30/18-09/30/19	32,418	19,451	19,451	-	-	-
Title IV Student Sup. and Acad. Enrichment	I	84.424	144-200154	07/01/19-09/30/20	32,162	25,730	-	32,162	32,162	6,432
						45,181	19,451	32,162	32,162	6,432
Passed through the Allegheny Intermediate Unit										
Special Education Cluster										
IDEA Grant	I	84.027	062-190003	07/01/18-09/30/19	535,885	371,674	371,674	-	-	-
IDEA Grant	I	84.027	062-200003	07/01/19-09/30/20	515,280	200,161	-	515,280	515,280	315,119
IDEA Preschool Grants	I	84.173	131-190003	07/01/19-06/30/20	3,224	3,224	-	3,224	3,224	-
Total Special Education Cluster						575,059	371,674	518,504	518,504	315,119
Passed through the Allegheny Intermediate Unit										
Title III ESL	I	84.365	010-200603	07/01/19-09/30/20	3,615	-	-	3,615	3,615	3,615
Subtotal U.S. Department of Education						1,287,546	545,969	1,072,955	1,072,955	331,378
U.S. Department of Treasury										
Passed through the PA Commission										
on Crime and Delinquency										
COVID-19 Health & Safety Grant	I	21.019	N/A	03/01/20-10/30/20	277,372	-	-	35,024	35,024	35,024
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	N/A	N/A	4,532	2,430	5,749	5,749	3,647

**Fox Chapel Area School District  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2020**

**Exhibit D**

Federal Grantor/ Pass Through Grantor/ Project Title	Source Code	Federal CFDA Number	Pass Through Grantor's Number	Grant Period Beginning/ Ending Date	Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue 07/01/19	Revenue Recognized	Expendi- tures	Accrued or (Deferred) Revenue 06/30/20
U.S. Department of Agriculture										
Child Nutrition Cluster										
Passed through the Pennsylvania										
Department of Education										
National School Lunch Program	I	10.555	N/A	07/01/19-06/30/20	N/A	348,740	13,099	390,375	390,375	54,734
National School Breakfast Program	I	10.553	N/A	07/01/19-06/30/20	N/A	78,424	3,145	104,217	104,217	28,938
Passed through the Pennsylvania										
Department of Agriculture										
National School Lunch Program (Donated Commodities Non Cash Assistance)	I	10.555	N/A	07/01/19-06/30/20	N/A	<u>100,978</u>	<u>(13,441)</u>	<u>91,968</u>	<u>91,968</u>	<u>(22,451)</u>
Total U.S. Department of Agriculture and Nutrition Cluster						<u>528,142</u>	<u>2,803</u>	<u>586,560</u>	<u>586,560</u>	<u>61,221</u>
Total Federal Financial Assistance						<u>\$1,820,220</u>	<u>\$ 551,202</u>	<u>\$1,700,288</u>	<u>\$1,700,288</u>	<u>\$ 431,270</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, 2020**

**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, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Fox Chapel Area School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of Fox Chapel Area School District.

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

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

**Note C - Source Code**

The Source Code (I) indicates funds received indirectly.

**Note D - Reconciliation with Subsidy Confirmation**

Amounts Received Per Schedule	\$ 1,820,220
Less: Commodities Received	(100,978)
Less: Passed Through AIU	(575,059)
Less: Title 19	(4,532)
Add: Medical Assistance - Access	368,251
Add: State Funding on Confirmation	<u>33,206</u>
 Per Subsidy Confirmation	 <u>\$ 1,541,108</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, 2020**

**EXHIBIT E**

1 Copy – Bureau of Audits

1 Copy – Bureau of the Census