



# Lower Merion School District Ardmore, Pennsylvania Montgomery County

Financial Statements  
Year Ended June 30, 2022



1835 Market Street, 3rd Floor  
Philadelphia, PA 19103

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# LOWER MERION SCHOOL DISTRICT

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**LOWER MERION SCHOOL DISTRICT**

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## INDEPENDENT AUDITOR'S REPORT

**Board of School Directors  
Lower Merion School District  
Ardmore, Pennsylvania**

### **Opinions**

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

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

### **Basis for Opinions**

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

### **Change in Accounting Principle**

As described in Note 1 to the financial statements, Lower Merion School District adopted new accounting guidance, GASB Statement No. 87, "*Leases*". Our opinions are not modified with respect to that matter.

### **Responsibilities of Management for the Financial Statements**

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule – General Fund, the schedules of the District's proportionate share of the net pension liability - PSERS and pension plan contributions - PSERS, schedule of changes in OPEB liability single-employer plan, and the schedules of the District's proportionate share of the net OPEB liability - PSERS and OPEB plan contributions - PSERS on pages 4 through 13 and 49 through 54 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Report on Summarized Comparative Information**

The financial statements of Lower Merion School District as of and for the year ended June 30, 2021, were audited by other auditors whose report, dated January 12, 2022, expressed unmodified opinions on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lower Merion School District's basic financial statements. The schedule of expenditures of federal awards and certain state grants 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.

The schedule of expenditures of federal awards and certain state grants is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 and certain state grants is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2023, on our consideration of Lower Merion School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lower Merion School District's internal control over financial reporting and compliance.

**BBD, LLP**

**Philadelphia, Pennsylvania  
January 17, 2023**

# LOWER MERION SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

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Management's discussion and analysis (the "**MD&A**") of Lower Merion School District's (the "**District**") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2022. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the financial statements, notes to the financial statements, and supplemental information in this report.

### FINANCIAL HIGHLIGHTS

- On a government-wide basis including all governmental activities and business-type activities, the liabilities and deferred inflows of resources exceeded the assets and deferred outflows of resources of the District resulting in a deficit in net position at the close of the 2021-2022 fiscal year of \$81,562,205. During the 2021-2022 fiscal year the District had an increase in total net position of \$17,559,649. The net position of governmental activities increased by \$16,055,649 and the net position of the business-type activities increased by \$1,504,000. The increase in the net position of governmental activities was primarily due to the decrease in the District's allocated portion of the PSERS net pension liability and the related changes in the pension deferred outflows and inflows as shown on the Statement of Net Position (Deficit) in the financial statements.
- As of June 30, 2022, the District's governmental funds reported a combined fund balance of \$67,022,052, which is a decrease of \$60,017,092 from the prior year. The decrease was primarily due to a legal settlement in the amount of \$15,000,000 and the costs of construction for the new Black Rock Middle School.
- The General Fund reported an excess of revenue over expenditures of \$6,889,179, less other net financing uses of \$21,889,179. The other net financing uses were primarily a transfer to the Capital Reserve Fund and a legal settlement. This resulted in a decrease in fund balance of \$15,000,000, bringing the General Fund balance to \$28,149,291 as of June 30, 2022.
- General Fund revenues from local sources increased a total of \$9,918,024 over the prior year. This was due to an increase in real estate taxes of \$6,025,864 primarily due to a millage increase of 2.00% and an increase in real estate transfer taxes of \$2,586,162.
- General Fund revenues from state sources increased \$1,215,195 over the prior year. This increase is primarily due to increase in revenue from the basic education funding and state share of retirement contributions.
- General Fund revenues from federal sources decreased over the prior year by \$462,047 primarily due to a decrease in expenditures related to funding to respond the impact of COVID-19.
- General Fund expenditures, excluding other financing uses, had a net increase of \$10,673,629 over the prior year primarily due to budgeted increases across all functions. The largest portion of increases were due to schedule salary and wages increases and related benefit costs.
- Net other financing uses in the General Fund increased compared to the prior year by \$15,113,530 primarily due to a legal settlement.
- During 2021-2022, the Capital Projects Fund had \$45,552,435 in expenditures which was predominantly for the remaining construction costs of the new Black Rock Middle School which opened in September of 2022.

### OVERVIEW OF FINANCIAL STATEMENTS

The MD&A is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### Government-Wide Financial Statements

The first two statements are government-wide financial statements - the Statement of Net Position (Deficit) and the

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# LOWER MERION SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

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Statement of Activities. These provide both long-term and short-term information about the District's overall financial status.

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position (Deficit) 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 District's net position and how they have changed. Net position, the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, is one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net position are an indication of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the District, you need to consider additional non-financial factors, such as changes in the District's property tax base and the performance of the students.

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

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

### Fund Financial Statements

The remaining statements are fund financial statements that focus on individual parts of the District's operations in more detail than the government-wide statements. The governmental funds statements tell how the District's operations 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 District operates like a business. For the District, this represents our Food Service Fund. Fiduciary fund statements provide information about financial relationships where the District acts solely as a trustee or agent for the benefit of others.

- Governmental Funds – Most of the 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. Governmental funds 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 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 District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.
- Proprietary Funds – These funds are used to account for 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, or where there is a significant portion of funding through user charges. When the District charges customers for services it provides - whether to outside customers or to other units in the District - these services are generally reported in proprietary funds. The Food Service Fund is the District's proprietary fund and is the same as the business-type activities reported in the government-wide statements.
- Fiduciary Funds – The District is the trustee, or fiduciary, for assets that belong to others, such as scholarship funds or student activity funds. These assets are not reflected in the government-wide financial statements because the District cannot use these assets to finance its operations.

# LOWER MERION SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

- Notes to the Financial Statements – The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.
- Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which consists of the budgetary comparison schedule for the General Fund, schedules of the District's proportionate share of the net pension liability-PSERS and pension plan contributions-PSERS, schedule of changes in OPEB liability single-employer plan, and the schedules of the District's proportionate share of the net OPEB liability-PSERS and OPEB plan contributions-PSERS.

### FINANCIAL ANALYSIS OF THE DISTRICT - GOVERNMENT-WIDE FINANCIAL STATEMENTS

As noted above, net position may serve over time as a useful indicator of the District's financial condition. At the close of the 2021-2022 fiscal year the District's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$81,562,205. The following table presents condensed information for the Statement of Net Position (Deficit) of the District at June 30, 2022 and 2021.

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
<b>ASSETS</b>						
Current assets	\$ 133,165,050	\$ 172,028,055	\$ 2,426,153	\$ 1,287,388	\$ 135,591,203	\$ 173,315,443
Capital assets	496,255,586	456,364,763	87,319	99,880	496,342,905	456,464,643
<b>TOTAL ASSETS</b>	<u>629,420,636</u>	<u>628,392,818</u>	<u>2,513,472</u>	<u>1,387,268</u>	<u>631,934,108</u>	<u>629,780,086</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>85,104,018</u>	<u>81,062,476</u>	<u>670,279</u>	<u>574,104</u>	<u>85,774,297</u>	<u>81,636,580</u>
<b>LIABILITIES</b>						
Current liabilities	65,823,601	44,114,920	361,253	618,168	66,184,854	44,733,088
Noncurrent liabilities	661,393,693	747,519,990	3,329,915	3,794,299	664,723,608	751,314,289
<b>TOTAL LIABILITIES</b>	<u>727,217,294</u>	<u>791,634,910</u>	<u>3,691,168</u>	<u>4,412,467</u>	<u>730,908,462</u>	<u>796,047,377</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>67,816,371</u>	<u>14,385,248</u>	<u>545,777</u>	<u>106,099</u>	<u>68,362,148</u>	<u>14,491,347</u>
<b>NET POSITION</b>						
Invested in capital assets, net of related debt	272,610,241	189,723,478	87,319	99,880	272,697,560	189,823,358
Restricted	30,708,099	77,956,252	-	-	30,708,099	77,956,252
Unrestricted (deficit)	<u>(383,827,351)</u>	<u>(364,244,594)</u>	<u>(1,140,513)</u>	<u>(2,657,074)</u>	<u>(384,967,864)</u>	<u>(366,901,668)</u>
<b>TOTAL NET POSITION</b>	<u>\$ (80,509,011)</u>	<u>\$ (96,564,864)</u>	<u>\$ (1,053,194)</u>	<u>\$ (2,557,194)</u>	<u>\$ (81,562,205)</u>	<u>\$ (99,122,058)</u>

The District's total assets as of June 30, 2022 were \$631,930,464 of which \$117,096,013 or 18.53% consisted of unrestricted cash and investments and \$496,342,905 or 78.54% consisted of the District's net investment in capital assets. The District's total liabilities as of June 30, 2022 were \$730,908,462 of which \$246,887,053 or 33.78% consisted of general obligation debt used to acquire and construct capital assets and \$382,977,177 or 52.40% consisted of the actuarially determined net pension liability.

The District had a deficit in unrestricted net position of \$384,967,864 at June 30, 2022 which is primarily due to the recognition of the District's PSERS net pension liability.

# LOWER MERION SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

The District's net position invested in capital assets net of accumulated depreciation, less any related debt used to acquire those assets that is still outstanding, was \$272,697,560 as of June 30, 2022. The District uses these capital assets to provide services to students, and are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. For the year ended June 30, 2022, the District's net investment in capital assets increased by \$82,874,202 due to capital additions during the year and debt used to acquire capital assets being repaid faster than assets are depreciated.

The following table presents condensed information for the Statement of Activities of the District for 2022 and 2021. The increase in total expenses from 2021 to 2022 is significantly higher primarily due to the current year change in the actuarially determined net pension liability and related deferred outflows and inflows than the increase in total revenue, causing a decrease in net position for 2022 compared to the increase in net position for 2021.

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
<b>REVENUES</b>						
Program services						
Charges for services	\$ 364,232	\$ 735,830	\$ 497,611	\$ 100,536	\$ 861,843	\$ 836,366
Operating grants and contributions	34,511,206	34,785,894	4,390,127	1,480,460	38,901,333	36,266,354
Capital grants and contributions	-	-	-	-	-	-
General revenues						
Property taxes	226,905,166	235,719,391	-	-	226,905,166	235,719,391
Other taxes	8,093,517	5,492,671	-	-	8,093,517	5,492,671
Grants, subsidies and contributions not restricted	12,983,034	11,224,622	-	-	12,983,034	11,224,622
Investment earnings	250,975	156,139	2,648	-	253,623	156,139
Miscellaneous revenue	5,032	5,574	-	-	5,032	5,574
Gain/(loss) on sale of capital assets	(257,294)	(405,461)	5,300	-	(251,994)	(405,461)
<b>TOTAL REVENUES</b>	<b>282,855,868</b>	<b>287,714,660</b>	<b>4,895,686</b>	<b>1,580,996</b>	<b>287,751,554</b>	<b>289,295,656</b>
<b>EXPENSES</b>						
Instruction	159,690,673	168,720,929	-	-	159,690,673	168,720,929
Instructional student support	21,964,028	21,762,367	-	-	21,964,028	21,762,367
Administrative and financial support	24,431,876	18,079,143	-	-	24,431,876	18,079,143
Operation and maintenance of plant services	19,915,638	29,220,234	-	-	19,915,638	29,220,234
Pupil transportation	15,580,639	14,493,452	-	-	15,580,639	14,493,452
Student activities	5,659,984	5,392,822	-	-	5,659,984	5,392,822
Community services	237,525	245,040	-	-	237,525	245,040
Interest and amortization expense related to noncurrent liabilities	6,778,615	6,382,975	-	-	6,778,615	6,382,975
Unallocated depreciation expense	12,541,239	12,422,197	-	-	12,541,239	12,422,197
Food services	-	-	3,391,686	2,052,828	3,391,686	2,052,828
<b>TOTAL EXPENSES</b>	<b>266,800,217</b>	<b>276,719,159</b>	<b>3,391,686</b>	<b>2,052,828</b>	<b>270,191,903</b>	<b>278,771,987</b>
<b>CHANGE IN NET POSITION</b>	<b>\$ 16,055,651</b>	<b>\$ 10,995,501</b>	<b>\$ 1,504,000</b>	<b>\$ (471,832)</b>	<b>\$ 17,559,651</b>	<b>\$ 10,523,669</b>

# LOWER MERION SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

### FINANCIAL ANALYSIS OF THE DISTRICT – GOVERNMENTAL FUNDS

#### GENERAL FUND

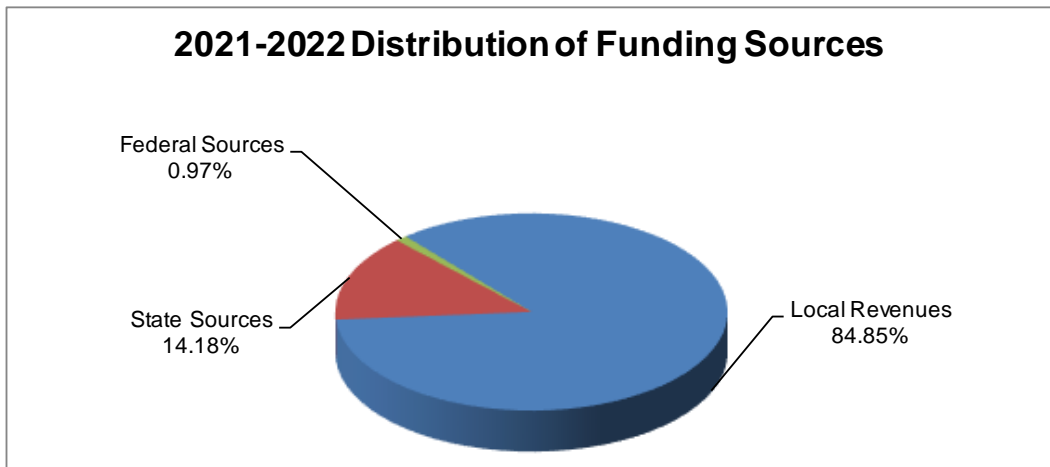
The General Fund is the District's primary operating fund. At the conclusion of the 2021-2022 fiscal year, the fund balance was \$28,149,291 representing a decrease of \$15,000,000 from the prior year. The decrease in the fund balance is a result of revenues over expenditures of \$6,889,179, reduced by other net financing uses of \$21,889,179, primarily for transfers to the Capital Reserve Fund and a legal settlement. The following analysis has been provided to assist the reader in understanding the financial activities of the General Fund during the 2021-2022 fiscal year.

At June 30, 2022, the District reported an unassigned fund balance of \$2,332,944. The unassigned fund balance represents 0.77% of the \$303,949,718 2022-2023 General Fund budgeted expenditures which is in accordance with guidelines prescribed by the Pennsylvania Department of Education which allow a maximum of 8.00%

#### General Fund Revenues

General Fund revenues, which totaled \$298,815,818, increased \$10,671,172 or 3.70% over prior year revenues. The following table reflects a comparison of current year revenues to prior year revenues and 2021-2022 budgeted amounts as follows:

	<u>Revenue 2022</u>	<u>% of Total</u>	<u>Increase (Decrease) From 2021</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>Percentage Increase (Decrease) From 2021</u>
Local sources	\$ 253,558,993	84.85%	\$ 9,918,024	\$ 6,005,283	4.07%
State sources	42,386,983	14.18%	1,215,195	(524,271)	2.95%
Federal sources	<u>2,869,842</u>	<u>0.97%</u>	<u>(462,047)</u>	<u>672,842</u>	<u>-13.87%</u>
<b>TOTAL REVENUES</b>	<u><b>\$ 298,815,818</b></u>	<u><b>100.00%</b></u>	<u><b>\$ 10,671,172</b></u>	<u><b>\$ 6,153,854</b></u>	<u><b>3.70%</b></u>



# LOWER MERION SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

Actual revenue from local sources primarily includes revenue from real estate taxes levied by the District. The increase over prior year is primarily driven by an increase in real estate taxes from interim tax billings during the year, an increase in real estate transfer tax revenue, and an increase in delinquent tax revenue. The state source revenue increase over the prior year is primarily due to an increase in the PSERS reimbursement for increased employer contributions due to higher personnel costs and a higher PSERS rate. The District also received a higher basic education funding subsidy which contributed to the increase in state revenue. The federal source revenue decreased due to less expenditures related to funding to respond the impact of COVID-19.

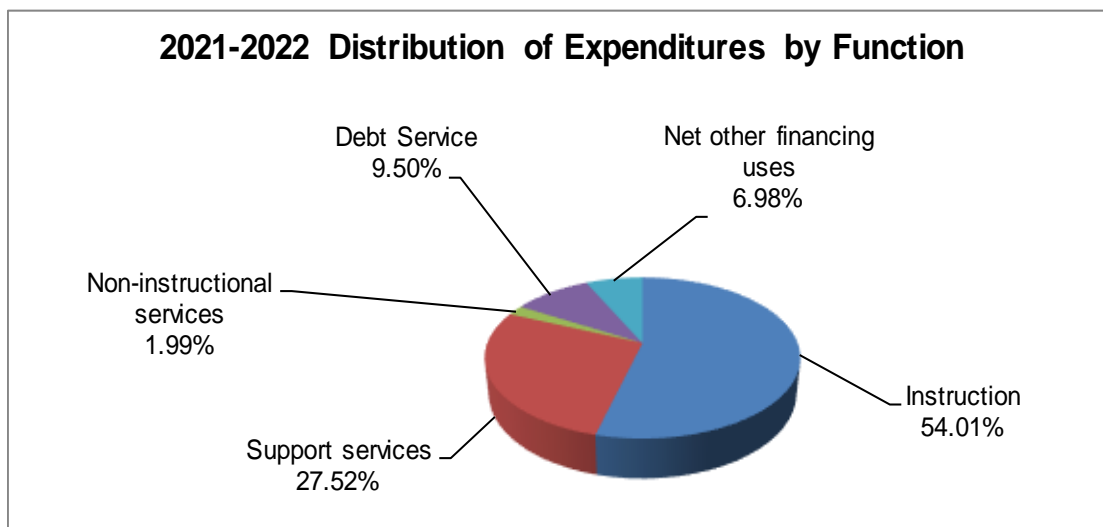
Local revenues were budgeted to increase, and remained strong throughout the year, exceeding budget expectations causing a positive final budget variance. The increase over prior year is primarily driven by more than anticipated collections for real estate taxes from interim tax billings during the year, real estate transfer tax revenue, and real estate tax delinquent tax revenue. The budget variance in state revenue was primarily caused by decrease in transportation and PSERS subsidies. The final budget variance in federal revenue was due to more Medical ACCESS reimbursements in 2021-2022 than budgeted.

### General Fund Expenditures and Other Financing Uses

General Fund expenditures including net other financing uses, which total \$313,815,818, increased \$25,787,160 over the 2020-2021 expenditures. Expenditures excluding net other financing uses were under final budget (positive variance) by a combined \$33, and net other financing uses were over final budget (negative variance) by \$21,153,887 for a net total of \$21,153,854 negative variance with final budget.

The expenditures are segregated into various programs depending on the functions of the activity. The expenditures for each program are compared to the prior year expenditures, and the 2021-2022 final budget amounts as follows:

	<u>Expenditures 2022</u>	<u>% of Total</u>	<u>Increase (Decrease) From 2021</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Instruction	\$ 169,481,392	54.01%	\$ 5,697,474	\$ 10
Support services	86,367,830	27.52%	3,724,645	18
Non-instructional services	6,252,096	1.99%	775,751	5
Debt service	29,825,321	9.50%	475,760	-
Net other financing uses	21,889,179	6.98%	15,113,530	(21,153,887)
<b>TOTAL EXPENDITURES</b>	<u>\$ 313,815,818</u>	<u>100.00%</u>	<u>\$ 25,787,160</u>	<u>\$ (21,153,854)</u>



# LOWER MERION SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

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The increase in the instruction and support services expenses is primarily due to increases in employee salary and PSERS retirement costs, and an increase in healthcare costs. The increase in non-instructional services expense is primarily due to more extra-curricular activity expenses due to the return of activities as COVID-19 related restrictions were lifted. The increase in net other financing uses compared to the prior year is primarily due to an increase in the amount transferred out of the General Fund into the Capital Reserve Fund and a legal settlement.

### CAPITAL PROJECTS FUND

The Capital Projects Fund accounts for construction and renovation activity associated with the District's buildings and major equipment purchases. The Capital Projects Fund receives the majority of its revenues from the issuance of general obligation debt. At June 30, 2022, the District reported a fund balance of \$20,164,866, which is a decrease over the prior year of \$45,063,947. The change was due to \$45,552,435 in expenditures for construction, facilities improvements, technology equipment, and transportation equipment offset by \$50,223 of investment income and \$438,265 proceeds from a lease payable. The fund balance as of June 30, 2022 is restricted for future capital expenditures.

### CAPITAL RESERVE FUND

The Capital Reserve Fund accounts for major equipment purchases and some renovations related to the District's buildings and receives the majority of its revenues from transfers from the General Fund. At June 30, 2022, the District reported a Capital Reserve fund balance of \$12,767,075, which is an increase over the prior year of \$39,636. The Capital Reserve Fund reported investment income of \$10,332 and a \$6,889,179 transfer from the General Fund. Expenditures for the fund include \$5,131,793 in support services and \$1,728,082 in capital outlay. The fund balance as of June 30, 2022 is restricted for future capital expenditures.

### DEBT SERVICE FUND

The Debt Service Fund accounts for funds restricted for the payment of a portion of the District's debt service on outstanding bonds. During 2021-2022, the Debt Service Fund fund balance increased by \$7,219 which consisted entirely of investment income. At June 30, 2022, the Debt Service Fund reported a fund balance of \$5,940,820 which will be used for a portion of future debt service needs.

### CAPITAL ASSETS

The District's net investment in capital assets for its governmental and business-type activities as of June 30, 2022 amounted to \$496,342,905 net of accumulated depreciation. This investment in capital assets includes land, site improvements, buildings and improvements, furniture and equipment, right-to-use leased assets and vehicles. The total increase in the District's investment in capital assets, net of accumulated depreciation, for the current fiscal year was \$39,878,262 or 8.74%. Current year capital additions were \$52,693,045, depreciation expense was \$12,557,489 and the net book value of disposed of capital assets was \$257,294. The major capital addition for the current fiscal year was \$45,114,170 for construction in progress for the new Black Rock Middle School.

More detailed information about the District's capital assets is presented in the notes to the financial statements.

### LONG-TERM DEBT AND NONCURRENT LIABILITIES

At the end of the current fiscal year, the District had total general obligation debt of \$246,887,053 consisting of \$215,805,000 in bonds payable, \$4,900,000 in notes payable and net deferred credits of \$26,182,053. The entire amount is backed by the full faith and credit of the District. The District issues bonds to finance capital expenditures or to finance the retirement (refund) of existing debt. The District's general obligation debt decreased by a net amount of \$23,301,547 or 8.62% during the fiscal year.

The District maintains an Aaa rating from Moody's.

# LOWER MERION SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

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State statutes limit the amount of general obligation debt the District may issue up to 225% of its borrowing base capacity which is calculated as the annual arithmetic average of the total revenues for the preceding three fiscal years. The District's outstanding general obligation debt as of June 30, 2022 is under the District's current debt limitation of \$648,995,781.

The District reports its allocated portion of its defined benefit unfunded benefit obligation related to its participation in PSERS. The District's allocated portion of the net pension liability totaled \$382,977,177 as of June 30, 2022. This is an actuarially determined estimate of the District's proportionate share of the unfunded cost of the PSERS pension plan obligation. The District's net pension liability allocation decreased by \$66,230,823 or 14.74% during the fiscal year.

The District reports a liability for its other post-employment benefits ("**OPEB**") related to its single employer OPEB plan and its participation in the PSERS health insurance premium assistance program. The District's net OPEB liability is an actuarially determined estimate of the unfunded cost of the OPEB obligation which totaled \$33,694,761 as of June 30, 2022. The District's combined net OPEB liability increased by \$2,110,624 or 6.68% during the fiscal year.

Other noncurrent liabilities consist of the District's liability for compensated absences and a lease liability which totaled \$1,164,617 as of June 30, 2022. These liabilities increased by \$831,065 or 249.16% during the fiscal year.

More detailed information about the District's long-term debt and noncurrent liabilities is presented in the notes to the financial statements.

### FACTORS BEARING ON THE DISTRICT'S FUTURE

The District has identified the following factors related to the District's future:

- The District adopted a balanced budget for 2022-2023 totaling \$303,949,718 in which the real estate tax millage was increased to 31.2045 mills or 1.39%.
- In September 2022, the District opened Black Rock Middle School with a nominal building capacity of 1,200 students. The District now operates three middle schools (Bala Cynwyd, Black Rock and Welsh Valley). Additionally, all three middle schools now include grades 5 through 8. Previously, the District middle school enrollment was grades 6 through 8. With this grade reconfiguration at the middle school level, all six elementary schools now include kindergarten through grade 4 (previously kindergarten through grade 5).
- The District is experiencing significant shortage of bus drivers which will likely continue over the next year and possibly beyond. The bus driver shortage is nationwide. This has forced the District to implement longer bus runs and increase the number of students on each bus. The continued driver shortage may result in higher costs to provide student transportation in the future.
- The 2022-2023 school year includes implementation of curricular and instructional improvements proposed by multi-year planning teams working in K-4 and 5-8. At each level, teams undertook a reimagining of education to position the District to advance the Strategic Plan in the years ahead. K-4 innovations being implemented in the 2022-2023 school year include the following: an elementary STEM special area class for students in grades 1 through 4, interdisciplinary Problem-Based Learning ("**PBL**") units in grades K-4, integration of PBL units with existing District Residencies, a new K-4 schedule with expanded core and intervention instructional minutes, dedicated Social Emotional Learning (SEL) and Physical Activity (PA) time, as well as improved early literacy instructional resources. 5-8 innovations being implemented in the 2022-2023 school year include the following: a new schedule with interdisciplinary instructional blocks that include STEM or Humanities focus areas, dedicated intervention time, increased choices for student electives, a new Leadership course, and concentration of world language experiences in 5<sup>th</sup> grade to advance terminal world language development by high school graduation as well as increased and global citizenship opportunities.

# **LOWER MERION SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED**

**June 30, 2022**

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- The District is well positioned to handle any future fiscal challenges and it will continue to practice prudent fiscal management practices to ensure sufficient funding for its operations and capital spending.

### **MISSION STATEMENT**

Committed to excellence and continuous improvement, the Lower Merion School District strives to ensure that all students achieve their highest level of critical thinking and creativity, that they value themselves and the diversity of others, and that they are knowledgeable, contributing citizens capable of excelling in a rapidly changing world.

This is accomplished by individuals engaging in innovative, active experiences tailored to myriad ways of learning and in partnership with our community.

### **VISION STATEMENT**

Students are our reason for being. We create an environment designed to fulfill the individual learning needs and aspirations of each student. The District develops active partnerships at all levels of our learning community and values the individual contribution of each member.

We view learning as dynamic, innovative and collaborative. Individuals learn best when their hearts, minds, and spirits are intimately engaged in the learning process. Enter to learn. Go forth to serve.

### **BELIEFS**

Our deepest convictions and values;

We believe that:

- All people have equal intrinsic worth.
- People learn in different ways and at different rates.
- Each person bears responsibility for the well-being of society and the quality of the environment.
- Learning occurs everywhere and is a lifelong pursuit of knowledge, truth, and wisdom.
- High quality public education directly benefits the entire community and is essential for a democratic society.
- The responsibility for learning rests primarily with the individual; however, education is the shared responsibility of the student, home, family, school, and entire community.
- Individuals learn best when actively engaged in the learning process.
- Excellence demands sustained effort.
- All individuals can be successful learners.
- High expectations yield high results.
- Society benefits when individual rights are balanced with social responsibility.
- Ethical conduct is essential to the quality of life.

### **STRATEGIC PLAN**

Lower Merion School District launched an ambitious, year-long comprehensive planning process in the fall of 2013 to provide a new direction for public education in our community. In recent years, strategic planning in the District had been driven largely by the Pennsylvania Department of Education's strategic planning requirements, and plans were developed to address specific issues and perceived weaknesses. The 2014 Lower Merion School District planning process was designed to be more expansive in scope and significantly more inclusive of our diverse, dynamic community. Thousands of stakeholders contributed to this process, sharing their thoughts, ideas, and dreams for our schools through community surveys, community forums, focus groups, public meetings and a steering committee of 70 community volunteers.

# LOWER MERION SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2022

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The result of these collective efforts is our Strategic Plan, *All Forward: Strategic Pathways for Lower Merion School District*. *All Forward* differs greatly from previous District strategic plans, both in content and structure. Rather than a tactical guide with step-by-step instructions, the plan serves as a strategic compass for the next five years and beyond. We designed it to be actionable, inspirational and accessible to all members of our school community. Five "bold statements of strategic intent" provide the framework of our plan. These statements, crafted by our steering committee, represent where we want to be as a school community and indicate a shift from where we are today in how we define student success, develop curriculum, support professional learning, engage students and partner with our community. It is important to note that the intent of the plan is not to solve a problem or fix a failure. Rather, it serves as a necessary next step forward in our evolution as one of the finest public-school systems in the United States.

Collaboration, innovation, and celebration are consistent themes throughout the plan and characterize the community's work in developing this document. Our plan embraces a collective, intentional, positive approach to change. It is driven by our belief in continuous improvement and an unyielding passion for high-quality public education. It represents our commitment to the children of Lower Merion and Narberth now and forever.

### STRATEGIC PATHWAYS

- Pathway 1: Redefining Success - Transform how we define, measure, and report student achievement with a focus on each student's individualized growth and mastery in areas that extend beyond traditional academic indicators.
- Pathway 2: Transformative Curriculum - Shift from content areas silos to a connected curriculum that prepares students to transfer knowledge and apply thinking strategies across disciplines.
- Pathway 3: A Commitment to Professional Learning - Transform professional learning from a top-down model to one that honors and harnesses our educators' collective wisdom.
- Pathway 4: Student-Driven Schools - Adjust our system from one characterized by heavily prescribed requirements to one that affords more self-directed goal setting and positive risk taking - where students navigate their own learning in close partnership with professionals.
- Pathway 5: A Spirit of Community - Transform our approach to community outreach from one that is less coordinated to one that strategically leverages and maximizes community resources to strengthen our schools.

### CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Manager, Lower Merion School District, 301 East Lancaster Avenue, Ardmore, Pennsylvania 19003.

# LOWER MERION SCHOOL DISTRICT

## STATEMENT OF NET POSITION (DEFICIT)

June 30, 2022 with summarized comparative totals for 2021

	Governmental	Business-type	Totals	
	Activities	Activities	2022	2021
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
<b>CURRENT ASSETS</b>				
Cash	\$ 102,563,759	\$ 1,468,446	\$ 104,032,205	\$ 20,736,512
Investments	13,063,808	-	13,063,808	127,661,675
Due from other governments	13,527,442	612,403	14,139,845	13,399,425
Other receivables	485,248	20,521	505,769	375,809
Property taxes receivable, net	3,164,618	-	3,164,618	3,518,799
Internal balances	(156,172)	156,172	-	7,250,488
Inventories	-	168,611	168,611	80,328
Prepaid expenses	516,347	-	516,347	292,407
<b>Total current assets</b>	<b>133,165,050</b>	<b>2,426,153</b>	<b>135,591,203</b>	<b>173,315,443</b>
<b>NONCURRENT ASSETS</b>				
Capital assets, net	496,255,586	87,319	496,342,905	456,464,643
<b>Total assets</b>	<b>629,420,636</b>	<b>2,513,472</b>	<b>631,934,108</b>	<b>629,780,086</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred amounts on debt refunding	3,076,842	-	3,076,842	3,547,315
Deferred charges on proportionate share of pension - PSERS	76,458,638	633,788	77,092,426	74,231,699
Deferred charges on proportionate share of OPEB - PSERS	4,402,192	36,491	4,438,683	2,617,482
Deferred charges OPEB - single employer	1,166,346	-	1,166,346	1,240,084
<b>Total deferred outflows of resources</b>	<b>85,104,018</b>	<b>670,279</b>	<b>85,774,297</b>	<b>81,636,580</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	27,658,719	50,623	27,709,342	7,708,637
Accrued salaries, payroll withholdings and benefits	36,235,484	-	36,235,484	34,411,082
Internal balances	-	-	-	222,494
Accrued interest payable	1,691,928	-	1,691,928	1,907,559
Unearned revenue	237,470	310,630	548,100	483,316
<b>Total current liabilities</b>	<b>65,823,601</b>	<b>361,253</b>	<b>66,184,854</b>	<b>44,733,088</b>
<b>NONCURRENT LIABILITIES</b>				
Due within one year	25,237,871	-	25,237,871	20,455,000
Due in more than one year	636,155,822	3,329,915	639,485,737	730,859,289
<b>Total noncurrent liabilities</b>	<b>661,393,693</b>	<b>3,329,915</b>	<b>664,723,608</b>	<b>751,314,289</b>
<b>Total liabilities</b>	<b>727,217,294</b>	<b>3,691,168</b>	<b>730,908,462</b>	<b>796,047,377</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred credits on proportionate share of pension - PSERS	65,450,462	542,538	65,993,000	12,038,000
Deferred credits on proportionate share of OPEB - PSERS	390,761	3,239	394,000	565,000
Deferred credits OPEB - single employer	1,975,148	-	1,975,148	1,888,347
<b>Total deferred inflows of resources</b>	<b>67,816,371</b>	<b>545,777</b>	<b>68,362,148</b>	<b>14,491,347</b>
<b>NET POSITION (DEFICIT)</b>				
Net investment in capital assets	272,610,241	87,319	272,697,560	189,823,358
Restricted	30,708,099	-	30,708,099	77,956,252
Unrestricted (deficit)	(383,827,351)	(1,140,513)	(384,967,864)	(366,901,668)
<b>Total net position (deficit)</b>	<b>\$ (80,509,011)</b>	<b>\$ (1,053,194)</b>	<b>\$ (81,562,205)</b>	<b>\$ (99,122,058)</b>

See accompanying notes

# LOWER MERION SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

Year ended June 30, 2022 with summarized comparative totals for 2021

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position (Deficit)</u>			
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>	
							<u>2022</u>	<u>2021</u>
<b>GOVERNMENTAL ACTIVITIES</b>								
Instruction	\$ 159,690,675	\$ 56,536	\$ 21,634,143	\$ -	\$ (137,999,996)	\$ -	\$ (137,999,996)	\$ (144,203,789)
Instructional student support services	21,964,028	-	4,727,365	-	(17,236,663)	-	(17,236,663)	(19,395,938)
Administrative and financial support services	24,431,876	-	2,493,880	-	(21,937,996)	-	(21,937,996)	(15,761,463)
Operation and maintenance of plant services	19,915,638	225,866	1,730,844	-	(17,958,928)	-	(17,958,928)	(27,271,884)
Pupil transportation	15,580,639	-	2,926,928	-	(12,653,711)	-	(12,653,711)	(10,722,968)
Student activities	5,659,984	34,002	717,070	-	(4,908,912)	-	(4,908,912)	(4,791,181)
Community services	237,525	47,828	-	-	(189,697)	-	(189,697)	(245,040)
Interest and amortization expense related to noncurrent liabilities	6,778,615	-	280,976	-	(6,497,639)	-	(6,497,639)	(6,382,975)
Unallocated depreciation expense	12,541,239	-	-	-	(12,541,239)	-	(12,541,239)	(12,422,197)
<b>Total governmental activities</b>	<u>266,800,219</u>	<u>364,232</u>	<u>34,511,206</u>	<u>-</u>	<u>(231,924,781)</u>	<u>-</u>	<u>(231,924,781)</u>	<u>(241,197,435)</u>
<b>BUSINESS-TYPE ACTIVITIES</b>								
Food service	<u>3,391,686</u>	<u>497,611</u>	<u>4,390,127</u>	<u>-</u>	<u>-</u>	<u>1,496,052</u>	<u>1,496,052</u>	<u>(471,832)</u>
<b>Total primary government</b>	<u>\$ 270,191,905</u>	<u>\$ 861,843</u>	<u>\$ 38,901,333</u>	<u>\$ -</u>	<u>(231,924,781)</u>	<u>1,496,052</u>	<u>(230,428,729)</u>	<u>(241,669,267)</u>
<b>GENERAL REVENUES</b>								
Property taxes levied for general purposes					226,905,166	-	226,905,166	235,719,391
Other taxes levied for general purposes					8,093,517	-	8,093,517	5,492,671
Grants and entitlements not restricted to specific programs					12,983,034	-	12,983,034	11,224,622
Gain (loss) on sale of capital assets					(257,294)	5,300	(251,994)	(405,461)
Investment earnings					250,975	2,648	253,623	156,139
Miscellaneous income					5,032	-	5,032	5,574
<b>Total general revenues</b>					<u>247,980,430</u>	<u>7,948</u>	<u>247,988,378</u>	<u>252,192,936</u>
<b>CHANGE IN NET POSITION (DEFICIT)</b>					16,055,649	1,504,000	17,559,649	10,523,669
<b>NET POSITION (DEFICIT)</b>								
Beginning of year					(96,564,660)	(2,557,194)	(99,121,854)	(109,645,523)
<b>End of year</b>					<u>\$ (80,509,011)</u>	<u>\$ (1,053,194)</u>	<u>\$ (81,562,205)</u>	<u>\$ (99,121,854)</u>

See accompanying notes

# LOWER MERION SCHOOL DISTRICT

## BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2022 with summarized comparative totals for 2021

	Major Funds				Totals	
	General	Capital	Capital	Debt	2022	2021
	Fund	Projects	Reserve	Service		
	Fund	Fund	Fund	Fund		
<b>ASSETS</b>						
Cash	\$ 70,001,161	\$ 19,623,570	\$ 6,998,208	\$ 5,940,820	\$ 102,563,759	\$ 20,736,716
Investments	8,059,666	5,004,142	-	-	13,063,808	126,708,386
Taxes receivable	3,164,618	-	-	-	3,164,618	3,518,799
Due from other funds	101,720	-	6,889,179	-	6,990,899	13,362,223
Due from other governments	13,527,442	-	-	-	13,527,442	13,220,230
Other receivables	477,229	8,019	-	-	485,248	371,123
Prepaid items	516,347	-	-	-	516,347	292,407
<b>Total assets</b>	<b>\$ 95,848,183</b>	<b>\$ 24,635,731</b>	<b>\$ 13,887,387</b>	<b>\$ 5,940,820</b>	<b>\$ 140,312,121</b>	<b>\$ 178,209,884</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 22,067,542	\$ 4,470,865	\$ 1,120,312	\$ -	\$ 27,658,719	\$ 13,210,318
Due to other funds	7,147,071	-	-	-	7,147,071	6,181,625
Accrued salaries, payroll withholdings and benefits	36,235,484	-	-	-	36,235,484	28,868,823
Unearned revenues	237,470	-	-	-	237,470	128,219
<b>Total liabilities</b>	<b>65,687,567</b>	<b>4,470,865</b>	<b>1,120,312</b>	<b>-</b>	<b>71,278,744</b>	<b>48,388,985</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenues - property taxes	2,011,325	-	-	-	2,011,325	2,781,755
<b>FUND BALANCES</b>						
Nonspendable						
Prepaid items	516,347	-	-	-	516,347	292,407
Assigned	-	-	-	-	-	21,471,296
Restricted for						
Capital projects	-	20,164,866	12,767,075	-	32,931,941	77,956,252
Debt service	-	-	-	5,940,820	5,940,820	5,933,601
Legal settlement	12,000,000	-	-	-	12,000,000	-
Committed to						
Future PSERS obligations	3,300,000	-	-	-	3,300,000	10,300,000
Future postemployment healthcare benefits	10,000,000	-	-	-	10,000,000	5,000,000
Unassigned	2,332,944	-	-	-	2,332,944	6,085,588
<b>Total fund balances</b>	<b>28,149,291</b>	<b>20,164,866</b>	<b>12,767,075</b>	<b>5,940,820</b>	<b>67,022,052</b>	<b>127,039,144</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 95,848,183</b>	<b>\$ 24,635,731</b>	<b>\$ 13,887,387</b>	<b>\$ 5,940,820</b>	<b>\$ 140,312,121</b>	<b>\$ 178,209,884</b>

See accompanying notes

# LOWER MERION SCHOOL DISTRICT

## RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION (DEFICIT)

June 30, 2022

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<b>TOTAL GOVERNMENTAL FUND BALANCES</b>	\$ 67,022,052
Amounts reported for governmental activities in the statement of net position (deficit) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.	496,255,586
Deferred outflows of resources for deferred amounts on debt refunding are currently expended in the governmental funds, whereas they are capitalized and amortized over the life of the respective debt in the government-wide statement of net position (deficit).	3,076,842
Deferred outflows of resources and deferred inflows of resources related to pensions and other post-employment benefits are not reported as assets and liabilities in the governmental funds balance sheet.	14,210,805
Some of the District's property and per capita taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred inflows of resources on the governmental funds balance sheet.	2,011,325
Receivables related to subsidies for long-term debt are not available to pay for current period expenditures and thus are not recognized in the governmental funds but are recognized in the statement of net position (deficit).	
Noncurrent liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds balance sheet.	(661,393,693)
Accrued interest payable on long-term liabilities is included in the statement of net position (deficit), but is excluded from the governmental funds balance sheet until due and payable.	<u>(1,691,928)</u>
<b>NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES</b>	<u>\$ (80,509,011)</u>

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See accompanying notes

# LOWER MERION SCHOOL DISTRICT

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

Year ended June 30, 2022 with summarized comparative totals for 2021

	Major Funds				Totals	
	General	Capital	Capital	Debt	2022	2021
	Fund	Projects	Reserve	Service		
<b>REVENUES</b>						
Local sources						
Real estate taxes	\$ 242,675,596	\$ -	\$ -	\$ -	\$ 242,675,596	\$ 235,778,845
Realty transfer taxes	7,646,891	-	-	-	7,646,891	5,060,729
Earned income taxes	214,717	-	-	-	214,717	208,778
Earnings from investments	183,201	50,223	10,332	7,219	250,975	156,377
Other local revenues	2,838,588	-	-	-	2,838,588	2,471,169
State sources	42,386,983	-	-	-	42,386,983	41,171,788
Federal sources	2,869,842	-	-	-	2,869,842	3,331,889
<b>Total revenues</b>	<b>298,815,818</b>	<b>50,223</b>	<b>10,332</b>	<b>7,219</b>	<b>298,883,592</b>	<b>288,179,575</b>
<b>EXPENDITURES</b>						
Current						
Instruction	169,481,392	280,917	-	-	169,762,309	163,784,200
Support services	86,367,830	885,438	-	-	87,253,268	87,123,993
Operation of noninstructional services	6,252,096	525,512	5,131,793	-	11,909,401	5,476,345
Facilities acquisition, construction and improvement services	-	43,860,568	1,728,082	-	45,588,650	35,247,692
Debt service	29,825,321	-	-	-	29,825,321	29,349,561
<b>Total expenditures</b>	<b>291,926,639</b>	<b>45,552,435</b>	<b>6,859,875</b>	<b>-</b>	<b>344,338,949</b>	<b>320,981,791</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>6,889,179</b>	<b>(45,502,212)</b>	<b>(6,849,543)</b>	<b>7,219</b>	<b>(45,455,357)</b>	<b>(32,802,216)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Debt service - refunded bonds	-	-	-	-	-	(30,107,406)
Proceeds from bond issuance	-	-	-	-	-	75,410,000
Proceeds from bond premium	-	-	-	-	-	17,520,506
Proceeds from extended term financing	-	438,265	-	-	438,265	-
Transfers in	-	-	6,889,179	-	6,889,179	5,339,454
Transfers out	(6,889,179)	-	-	-	(6,889,179)	(5,368,943)
Refund of prior year's revenues	(15,000,000)	-	-	-	(15,000,000)	(1,406,706)
<b>Total other financing sources (uses)</b>	<b>(21,889,179)</b>	<b>438,265</b>	<b>6,889,179</b>	<b>-</b>	<b>(14,561,735)</b>	<b>61,386,905</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(15,000,000)</b>	<b>(45,063,947)</b>	<b>39,636</b>	<b>7,219</b>	<b>(60,017,092)</b>	<b>28,584,689</b>
<b>FUND BALANCES</b>						
Beginning of year	43,149,291	65,228,813	12,727,439	5,933,601	127,039,144	98,454,455
<b>End of year</b>	<b>\$ 28,149,291</b>	<b>\$ 20,164,866</b>	<b>\$ 12,767,075</b>	<b>\$ 5,940,820</b>	<b>\$ 67,022,052</b>	<b>\$ 127,039,144</b>

See accompanying notes

# LOWER MERION SCHOOL DISTRICT

## RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF ACTIVITIES

Year ended June 30, 2022

**NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** \$ (60,017,092)

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 and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense and the net book value of disposed of capital assets in the current period.

Capital outlay expenditures	52,689,356	
Net book value of disposed of capital assets	(257,294)	
Depreciation expense	<u>(12,541,239)</u>	39,890,823

Because some property and per capita taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred inflows of resources decreased by this amount in the current period.

Deferred inflows of resources June 30, 2021	(2,781,755)	
Deferred inflows of resources June 30, 2022	<u>2,011,325</u>	(770,430)

governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on the change in net position of governmental activities. Also, governmental funds report the effect of premiums, discounts and similar items when long-term debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Repayment of bonds and note payable	20,455,000	
Proceeds from lease payable	(438,265)	
Repayment of lease payable	130,515	
Amortization of discounts, premiums and deferred amounts	<u>2,376,074</u>	22,523,324

Some expenses reported in the statement of activities do not require the use of current financial resources, and, therefore are not reported as expenditures on governmental funds.

Current year change in accrued interest payable	215,631	
Current year change in compensated absences	(523,315)	
Current year change in net pension liability - PSERS and deferred outflows and inflows	15,015,600	
Current year change in OPEB liability - single employer and deferred outflows and inflows	(68,127)	
Current year change in net OPEB liability - PSERS and deferred outflows and inflows	<u>(210,765)</u>	<u>14,429,024</u>

**CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES** \$ 16,055,649

See accompanying notes

# LOWER MERION SCHOOL DISTRICT

## STATEMENT OF NET POSITION (DEFICIT) - PROPRIETARY FUND

June 30, 2022 with summarized comparative totals for 2021

	<u>Food Service Fund</u>	
	<u>2022</u>	<u>2021</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 1,468,446	\$ 953,289
Due from other governments	612,403	179,195
Due from other funds	257,892	58,935
Other receivables	20,521	11,952
Prepaid expenses	-	3,689
Inventories	168,611	80,328
<b>Total current assets</b>	<u>2,527,873</u>	<u>1,287,388</u>
<b>NONCURRENT ASSETS</b>		
Capital assets, net	<u>87,319</u>	<u>99,880</u>
<b>Total assets</b>	<u>2,615,192</u>	<u>1,387,268</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred charges on proportionate share of pension - PSERS	633,788	554,058
Deferred charges on proportionate share of OPEB - PSERS	<u>36,491</u>	<u>20,046</u>
<b>Total deferred outflows of resources</b>	<u>670,279</u>	<u>574,104</u>
<b>LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION (DEFICIT)</b>		
<b>LIABILITIES</b>		
Accounts payable	50,623	40,578
Due to other funds	101,720	222,494
Unearned revenue	<u>310,630</u>	<u>355,096</u>
<b>Total current liabilities</b>	<u>462,973</u>	<u>618,168</u>
<b>NONCURRENT LIABILITIES</b>		
Net proportionate share of pension liability - PSERS	3,148,511	3,634,862
Net proportionate share of OPEB liability - PSERS	<u>181,404</u>	<u>159,437</u>
<b>Total noncurrent liabilities</b>	<u>3,329,915</u>	<u>3,794,299</u>
<b>Total liabilities</b>	<u>3,792,888</u>	<u>4,412,467</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred credits on proportionate share of pension - PSERS	542,538	97,408
Deferred credits on proportionate share of OPEB - PSERS	<u>3,239</u>	<u>8,691</u>
<b>Total deferred inflows of resources</b>	<u>545,777</u>	<u>106,099</u>
<b>NET POSITION (DEFICIT)</b>		
Net investment in capital assets	87,319	99,880
Unrestricted (deficit)	<u>(1,140,513)</u>	<u>(2,657,074)</u>
<b>Total net position (deficit)</b>	<u>\$ (1,053,194)</u>	<u>\$ (2,557,194)</u>

See accompanying notes

# LOWER MERION SCHOOL DISTRICT

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (DEFICIT) - PROPRIETARY FUND

Year ended June 30, 2022 with summarized comparative totals for 2021

	<u>Food Service Fund</u>	
	<u>2022</u>	<u>2021</u>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 497,611	\$ 100,536
<b>OPERATING EXPENSES</b>		
Salaries	1,125,149	960,703
Employee benefits	651,134	540,049
Purchased professional and technical services	6,281	186
Purchased property services	28,863	28,992
Supplies	1,561,716	507,019
Depreciation	16,250	14,955
Other operating expenses	2,293	924
<b>Total operating expenses</b>	<u>3,391,686</u>	<u>2,052,828</u>
<b>Operating loss</b>	<u>(2,894,075)</u>	<u>(1,952,292)</u>
<b>NONOPERATING REVENUES</b>		
Earnings on investments	2,648	702
Gain on sale of capital asset	5,300	-
State sources	329,803	197,867
Federal sources	4,060,324	1,281,891
<b>Total nonoperating revenues</b>	<u>4,398,075</u>	<u>1,480,460</u>
<b>CHANGE IN NET POSITION (DEFICIT)</b>	1,504,000	(471,832)
<b>NET POSITION (DEFICIT)</b>		
Beginning of year	<u>(2,557,194)</u>	<u>(2,085,362)</u>
<b>End of year</b>	<u>\$ (1,053,194)</u>	<u>\$ (2,557,194)</u>

See accompanying notes

# LOWER MERION SCHOOL DISTRICT

## STATEMENT OF CASH FLOWS - PROPRIETARY FUND

Year ended June 30, 2022 with summarized comparative totals for 2021

	<b>Food Service Fund</b>	
	<b><u>2022</u></b>	<b><u>2021</u></b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from charges for services	\$ 444,576	\$ (225,113)
Cash payments to employees for services	(1,897,164)	(1,733,637)
Cash payments to supplies for goods and services	<u>(1,762,100)</u>	<u>(382,306)</u>
<b>Net cash used for operating activities</b>	<b><u>(3,214,688)</u></b>	<b><u>(2,341,056)</u></b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State sources	312,917	201,834
Federal sources	<u>3,412,669</u>	<u>1,143,412</u>
<b>Net cash provided by noncapital financing activities</b>	<b><u>3,725,586</u></b>	<b><u>1,345,246</u></b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of capital assets	(3,689)	(4,178)
Proceeds from sale of capital assets	<u>5,300</u>	<u>-</u>
<b>Net cash provided by (used for) capital and related financing activities</b>	<b><u>1,611</u></b>	<b><u>(4,178)</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Earnings on investments	<u>2,648</u>	<u>702</u>
<b>Net increase (decrease) in cash</b>	<b>515,157</b>	<b>(999,286)</b>
<b>CASH</b>		
Beginning of year	<u>953,289</u>	<u>1,952,575</u>
<b>End of year</b>	<b><u>\$ 1,468,446</u></b>	<b><u>\$ 953,289</u></b>
<b>Reconciliation of operating loss to net cash provided by (used for) operating activities:</b>		
Operating loss	\$ (2,894,075)	\$ (1,952,292)
<b>Adjustments to reconcile operating loss to net cash provided by (used for) operating activities</b>		
Depreciation	16,250	14,955
Donated commodities used	231,333	85,634
(Increase) decrease in		
Due from other funds	(198,957)	-
Other receivables	(8,569)	30,271
Prepaid expenses	3,689	-
Inventories	(88,283)	77,014
Deferred outflows of resources	(96,175)	(79,574)
Increase (decrease) in		
Accounts payable	10,045	(376,501)
Due to other funds	(120,774)	-
Unearned revenue	(44,466)	12,748
Net OPEB liability	21,967	(9,761)
Net pension liability	(486,351)	(86,743)
Deferred inflows of resources	<u>439,678</u>	<u>(56,807)</u>
<b>Net cash used for operating activities</b>	<b><u>\$ (3,214,688)</u></b>	<b><u>\$ (2,341,056)</u></b>
<b>SUPPLEMENTAL DISCLOSURE</b>		
<b>Noncash noncapital financing activity</b>		
USDA donated commodities	<u>\$ 231,333</u>	<u>\$ 85,634</u>

See accompanying notes

# LOWER MERION SCHOOL DISTRICT

## STATEMENT OF NET POSITION - FIDUCIARY FUNDS

June 30, 2022 with summarized comparative totals for 2021

	<u>Private-Purpose Trusts</u>		<u>Custodial</u>
	<u>Scholarship Funds</u>	<u>Employee Trust</u>	<u>Student Activities</u>
<b>ASSETS</b>			
Investments	\$ 128,851	\$ 342,048	\$ 510,555
Other receivables	-	-	3,644
	<u>128,851</u>	<u>342,048</u>	<u>514,199</u>
<b>LIABILITIES</b>			
Other liabilities	-	-	53,160
	<u>-</u>	<u>-</u>	<u>53,160</u>
<b>NET POSITION</b>			
Restricted for scholarships	128,851	-	-
Restricted for employee benefits	-	342,048	-
Restricted for student activities	-	-	461,039
	<u>\$ 128,851</u>	<u>\$ 342,048</u>	<u>\$ 461,039</u>

See accompanying notes

# LOWER MERION SCHOOL DISTRICT

## STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS

June 30, 2022 with summarized comparative totals for 2021

	<u>Private-Purpose Trusts</u>		<u>Custodial</u>
	<u>Scholarship</u>	<u>Employee</u>	<u>Student</u>
	<u>Funds</u>	<u>Trust</u>	<u>Activities</u>
<b>ADDITIONS</b>			
Receipts from student groups	\$ -	\$ -	\$ 891,563
Earnings from investments	<u>12</u>	<u>458</u>	<u>552</u>
	<u>12</u>	<u>458</u>	<u>892,115</u>
<b>DEDUCTIONS</b>			
Student activity disbursements	-	-	841,805
Scholarships awarded	1,000	-	-
Employee trust disbursements	<u>-</u>	<u>68,775</u>	<u>-</u>
	<u>1,000</u>	<u>68,775</u>	<u>841,805</u>
<b>CHANGE IN NET POSITION</b>	<u>(988)</u>	<u>(68,317)</u>	<u>50,310</u>
<b>NET POSITION</b>			
Beginning of year	<u>129,839</u>	<u>410,365</u>	<u>410,729</u>
<b>End of year</b>	<u>\$ 128,851</u>	<u>\$ 342,048</u>	<u>\$ 461,039</u>

See accompanying notes

# LOWER MERION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Lower Merion School District (the "**District**") operates six elementary schools, three middle schools, and two high schools. The District covers 24 square miles, directly borders the City of Philadelphia, and is comprised of Lower Merion Township and the Borough of Narberth. The District operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provisions of the School Laws of Pennsylvania as a school district of the second class. The District operates under a locally elected nine-member board form of government (the "**School Board**").

The financial statements of the District have been prepared in accordance with generally accepted accounting principles ("**GAAP**") as applied to governmental units. The Governmental Accounting Standards Board ("**GASB**") is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting policies are as follows:

#### **Reporting Entity**

GASB has established the criteria for determining the activities, organizations and functions of government to be included in the financial statements of the reporting entity. In evaluating the District as a reporting entity, management has addressed all potential component units which may or may not fall within the District's accountability. The criteria used to evaluate component units for possible inclusion as part of the District's reporting entity are financial accountability and the nature and significance of the relationship. The District is considered to be an independent reporting entity and has no component units.

#### **Basis of Presentation**

##### ***Government-Wide Financial Statements***

The statement of net position (deficit) and the statement of activities display information about the District as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities. These statements include the financial activities of the primary government except for fiduciary funds.

The government-wide financial statements are prepared 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 timing of related cash flow. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared as further defined below. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

The government-wide statement of net position (deficit) presents the financial position of the District which is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources and is classified in one of three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowing attributable to acquiring, constructing or improving those assets. The net position of the District is reported as restricted when constraints placed on net position use is either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Unrestricted net position is the net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

The statement of net position (deficit) includes separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until that time. Deferred inflows of resources represent an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

# LOWER MERION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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The government-wide statement of activities presents a comparison between expenses and program revenues for each function of the business-type activities of the District and for each governmental function. Expenses are those that are specifically associated with a service or program and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each function is self-financing or draws from the general revenues of the District.

Except for interfund activity and balances between the funds that underlie governmental activities and the funds that underlie business-type activities, which are reported as transfers and internal balances, the effect of interfund activity has been removed from these statements.

### ***Fund Financial Statements***

During the school year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Fiduciary fund financial statements are presented by fund type.

### ***Governmental Funds***

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. The District reports the following major governmental funds:

The General Fund is the government'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 restricted, committed or assigned to be used for capital expenditures or for the acquisition, construction of capital facilities, improvements and/or equipment and is funded largely by the issuance of debt.

The Capital Reserve Fund accounts for financial resources restricted, committed or assigned to be used for capital expenditures or for the acquisition, construction of capital facilities, improvements and/or equipment and is funded largely by transfers from the General Fund.

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term principal, interest and other related costs.

### ***Revenue Recognition***

In applying the "susceptible to accrual concept" under the modified accrual basis, 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 District considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Deferred inflows of resources are reported in connection with receivables for tax revenues that are not considered to be available to liquidate liabilities of the current period. Revenue from federal, state and other grants designated for payment of specific District expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as unearned revenues until earned. Other receipts are recorded as revenue when received in cash because they are generally not measurable until actually received.

# LOWER MERION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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### ***Expenditure Recognition***

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, other post-employment benefits and claims and judgments are recorded only when payment is due. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

### ***Proprietary Funds***

Like the government-wide financial statements, proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when they are earned and expenses are recognized when they are incurred. Allocations of certain costs, such as depreciation, are recorded in proprietary funds. The District reports the following proprietary fund:

The Food Service Fund accounts for the revenues and costs of providing meals to students during the school year.

These funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the District's proprietary funds are charges for services. Operating expenses for the District's proprietary funds include payroll, employee benefits, supplies and administrative costs. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

### ***Fiduciary Funds***

Fiduciary funds reporting focuses on net assets and changes in net assets and are accounted for using the economic resources measurement focus and the accrual basis of accounting. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and custodial funds. Fiduciary funds are used to account for assets held on behalf of individuals and/or governmental units and are, therefore, not available to support the District's own programs. The District reports the following fiduciary funds.

The Student Activity Fund consists of funds held on behalf of students and is reported as a custodial fund.

The Employee Trust Fund consists of funds held on behalf of employees from a legacy health savings accounts which no longer allow contributions. Disbursements from this fund consist of employees drawing down their funds by requesting payment for medical bills and is reported as a private-purpose trust fund.

The Scholarship Fund consists of funds donated for distribution to students as scholarships and is considered a private-purpose trust fund.

### **Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of twelve months or less from the date of acquisition.

### **Investments**

Investments are stated at fair value based upon quoted market prices, except for certificates of deposit which are recorded at cost and external investment pools which are recorded at amortized cost, both of which approximate fair value.

# LOWER MERION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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### Fair Value Measurements of Assets and Liabilities

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the District. Unobservable inputs reflect the District's assumptions about the inputs market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

**Level 1** – Valuations based on quoted prices in active markets for identical assets or liabilities that the District has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not require a significant degree of judgment.

**Level 2** – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

**Level 3** – Valuations based on inputs that are unobservable, that is, inputs that reflect the District's own assumptions.

### Interfund 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 either "due to/due from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

### Property Taxes

Taxes are levied on July 1 and are payable in the following periods:

July 1 – August 31	- Discount period, 2% of gross levy
September 1 – October 31	- Face period
October 31 – collection	- Penalty period, 10% of gross levy
January 1	- Lien date

The County Board of Assessments determines assessed valuations of property, and the District bills and collects its own property taxes. The tax on real estate for public school purposes for fiscal 2021-2022 was 30.7768 mills (\$30.7768 for \$1,000 of assessed valuation). The District experiences very small losses from uncollectible property taxes. Property taxes constitute a lien against real property and usually can be collected in full when title transfers. Only balances that remain after tax sales are written off each year. Accordingly, an allowance for doubtful accounts has not been established by the District for property taxes receivable.

Taxpayers within the District have the option of paying in three installments. These installments have the following due dates:

Installment One	- August 31
Installment Two	- October 31
Installment Three	- December 31

# LOWER MERION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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The discount (two percent) is not applicable to installment payments; however, the penalty (10 percent) will be added if second and third installments are paid subsequent to the due dates.

### **Unearned Revenues**

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

### **Prepaid Items and Inventories**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide and fund financial statements.

All inventories are valued at the lower of cost (first-in, first-out method) or market.

### **Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary fund financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair 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 assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed, inclusive of ancillary costs.

Property, plant and equipment (net of salvage value) of the District is depreciated using the straight-line method over the following estimated useful lives: site improvements – 20-40 years; buildings and improvements – 15-40 years; furniture and equipment – 5-10 years and vehicles – 8-10 years.

### **Impairment of Long-Lived Assets**

The District evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances is outside the normal life cycle of the capital asset. If a capital asset is considered to be impaired, the amount of impairment is measured by the method that most reflects the decline in service utility of the capital asset at the lower of carrying value or fair value for impaired capital assets that will no longer be used by the District. No impairment losses were recognized in the year ended June 30, 2022.

### **Compensated Absences**

District policies permit employees to accumulate earned but unused vacation and sick days. The liability for these compensated absences is recorded as a noncurrent liability in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only to the extent they have matured, for example, as a result of employee resignations and retirements.

### **Long-Term Obligations**

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bonds payable are reported net of the applicable bond premium or discount. Bond premiums and discounts are deferred and amortized over the life of the bonds. Deferred amounts on refunding are recorded as a deferred outflow of resources and amortized over the life of the old debt or the life of the new debt, whichever is shorter. All amounts are amortized using the straight-line method.

# LOWER MERION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources and uses. Premiums received and discounts paid on debt issuances are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures except for refundings paid from proceeds which are reported as other financing costs.

### **Fund Equity**

As prescribed by GASB, governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the fund can be spent. The District reports the following fund balance classifications:

#### ***Non-spendable***

Non-spendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form – such as inventory or prepaid insurance or (b) legally or contractually required to be maintained intact – such as a trust that must be retained in perpetuity.

#### ***Restricted***

Restricted fund balances are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

#### ***Committed***

Committed fund balances are amounts that can only be used for specific purposes determined by a formal action of the District's highest level of decision-making authority, the School Board. Committed amounts cannot be used for any other purpose unless the School Board removes those constraints by taking the same type of formal action (e.g., resolution).

#### ***Assigned***

Assigned fund balances are amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the Director of Business Services or (b) an appointed body or (c) an official to which the District has delegated the authority to assign, modify or rescind amounts to be used for specific purposes.

Assigned fund balance includes (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as non-spendable, restricted or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue fund or the capital projects fund are assigned for purposes in accordance with the nature of their fund type.

#### ***Unassigned***

Unassigned fund balance is the residual classification for the General Fund. This classification represents General Fund balance that has not been assigned to other funds, and that has not been restricted, committed or assigned to specific purposes within the General Fund.

When both restricted and unrestricted resources are available for use, it is the District's policy to use externally restricted resources first, then unrestricted resources—committed, assigned or unassigned—in order as needed.

# LOWER MERION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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The School Board has set a policy to maintain an unassigned General Fund fund balance of not less than 5% and a maximum unassigned General Fund fund balance of 8% of the following year's expenditure budget. Unassigned General Fund fund balance in excess of 8% of the following year's expenditure budget may be appropriated by the School Board for nonrecurring expenditures.

### **Comparative Data**

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation. However, presentation of prior year totals by fund and activity type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the District's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### **Implementation of New Accounting Pronouncements**

Effective July 1, 2021, the District adopted the provisions of GASB Statement No. 87 "*Leases*", GASB Statement No. 89, "*Accounting for Interest Cost Incurred Before the End of a Construction Period*"; GASB Statement No. 91, "*Conduit Debt Obligations*", and GASB Statement No. 92, "*Omnibus 2020*".

The objective of GASB Statement No. 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB Statement No. 87 increases the usefulness of financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities. As a result of the implementation of Statement No. 87, the District recognized its right-to-use lease assets and corresponding liabilities for the year ended June 30, 2022.

The objectives of GASB Statement No. 89 are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. GASB Statement No. 89 establishes accounting required for interest cost incurred before the end of a construction period. Such interest costs include all interest that previously was accounted for in accordance with the requirements of GASB Statement No. 62, "*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*", which are superseded by GASB Statement No. 89. GASB Statement No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GASB Statement No. 89 also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with government fund accounting principles. The implementation of GASB Statement No. 89 had no impact on the financial statements of the District for the year ended June 30, 2022.

# LOWER MERION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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GASB Statement No. 91 provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The implementation of GASB Statement No. 91 had no impact on the District's financial statements for the year ended June 30, 2022.

GASB Statement No. 92 addresses a variety of topics to enhance comparability in accounting and financial reporting and improve consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The implementation of GASB Statement No. 92 had no impact on the District's financial statements for the year ended June 30, 2022.

### **New Accounting Pronouncements**

GASB Statement No. 94, "*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*" will be effective for the District for the year ended June 30, 2023. GASB Statement No. 94 improves financial reporting by addressing issues related to public-private and public-public partnership arrangements ("**PPP**"s). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

GASB Statement No. 96, "*Subscription-Based Information Technology Arrangements*" will be effective for the District for the year ended June 30, 2023. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements ("**SBITA**"s) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

## **(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **Budgetary Information**

An annual budget is adopted prior to the beginning of each year for the General Fund on a modified accrual basis of accounting. The General Fund is the only fund for which a budget is legally required, although project-length financial plans are adopted for the Capital Projects fund.

The District is required to publish notice by advertisement at least once in a newspaper of general circulation in the municipalities in which it is located, and within 20 days of final action, that the proposed budget has been prepared and is available for public inspection at the administrative offices of the District. Notice that public hearings will be held on the proposed operating budget must be included in the advertisement; such hearings are required to be scheduled at least 10 days prior to when final action on adoption is taken by the School Board.

# LOWER MERION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

After the legal adoption of the budget, the School Board is required to file a copy of the budget with the Pennsylvania Department of Education by July 31. Additional copies of the budget also are required to be filed with the House Education Committee and the Senate Education Committee by September 15.

Legal budgetary control is maintained at the sub-function/major object level. The School Board may make transfers of funds appropriated in any particular item of expenditure by legislative action in accordance with Pennsylvania School Code. Management may amend the budget at the sub-function/sub-object level without approval from the School Board. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments.

### (3) DEPOSITS AND INVESTMENTS

State statutes authorize the District to invest in U.S. Treasury bills, time or share accounts of institutions insured by the Federal Deposit Insurance Corporation or in certificates of deposit when they are secured by proper bond or collateral, repurchase agreements, state treasurer's investment pools or mutual funds.

#### Deposits

##### Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At June 30, 2022, the carrying amount of the District's deposits was \$105,013,659 and the bank balance was \$105,619,142. The District is required by state statute to deposit funds in depositories that are either banks, banking institutions or trust companies located in the Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States, Commonwealth of Pennsylvania or any political subdivision. Under Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit. Of the bank balance, \$258,961 was covered by federal depository insurance and \$329,978 was collateralized by the District's depositories in accordance with Act 72. The remaining cash deposits of the District are in the Pennsylvania School District Liquid Asset Fund ("**PSDLAF**"), Pennsylvania Local Government Investment Trust ("**PLGIT**") and the Pennsylvania Treasurer's Program for Local Governments ("**INVEST**"). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PSDLAF, PLGIT and INVEST act like money market mutual funds in that their objective is to maintain a stable net asset value of \$1 per share, are rated by a nationally recognized statistical rating organization and are subject to independent annual audit. As of June 30, 2022, PSDLAF, PLGIT and INVEST were rated as AAA by a nationally recognized statistical rating agency.

#### Investments

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>			
		<u>Less than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>11 – 15</u>
Collateralized investment pools	\$11,065,828	\$11,065,828	\$ -	\$ -	\$ -
U.S. Treasury strips	<u>1,997,980</u>	<u>1,997,980</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$13,063,808</u>	<u>\$13,063,808</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

PSDLAF and PA INVEST collateralized investment pools are fully collateralized by U.S. government agency and treasury obligations and certificates of deposit. PSDLAF and PA INVEST collateralized investment pools and U.S. Treasury strips were valued using Level 2 inputs.

# LOWER MERION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

### **Custodial Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of the investments or collateral security that are in the possession of an outside party. The District had no investments subject to custodial credit risk as of June 30, 2022.

### **Interest Rate Risk**

The District's investment policy limits investment maturities in accordance with state statutes as a means of managing its exposure to fair value losses arising from increasing interest rates.

### **Credit Risk**

The District's investment policy limits its investments that are not backed by the "full faith and credit" of the federal and state government to those with the highest credit rating available for such investments issued by a recognized statistical rating organization.

## (4) CAPITAL ASSETS

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

	<b><u>Beginning Balance</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Ending Balance</u></b>
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 44,856,966	\$ -	\$ -	\$ 44,856,966
Construction in progress	<u>43,279,510</u>	<u>46,100,266</u>	<u>1,051,352</u>	<u>88,328,424</u>
<b>Total capital assets not being depreciated</b>	<u>88,136,476</u>	<u>46,100,266</u>	<u>1,051,352</u>	<u>133,685,390</u>
Capital assets being depreciated				
Site improvements	7,505,893	1,948,243	-	9,454,136
Buildings and improvements	488,753,651	3,001,013	-	491,754,664
Furniture and equipment	7,477,267	425,694	392,055	7,510,906
Right-to-use leased assets	-	438,265	-	438,265
Vehicles	<u>17,876,449</u>	<u>1,827,227</u>	<u>1,630,683</u>	<u>18,072,993</u>
<b>Total capital assets being depreciated</b>	<u>521,613,260</u>	<u>7,640,442</u>	<u>2,022,738</u>	<u>527,230,964</u>
Less accumulated depreciation for				
Site improvements	(2,974,482)	(325,642)	-	(3,300,124)
Buildings and improvements	(136,469,933)	(10,156,345)	-	(146,626,278)
Furniture and equipment	(6,357,803)	(329,754)	(390,445)	(6,297,112)
Right-to-use leased assets	-	(128,796)	-	(128,796)
Vehicles	<u>(7,582,755)</u>	<u>(1,600,702)</u>	<u>(1,374,999)</u>	<u>(7,808,458)</u>
<b>Total accumulated depreciation</b>	<u>(153,384,973)</u>	<u>(12,541,239)</u>	<u>(1,765,444)</u>	<u>(164,160,768)</u>
<b>Total capital assets being depreciated, net</b>	<u>368,228,287</u>	<u>(4,900,797)</u>	<u>257,294</u>	<u>363,070,196</u>
<b>Governmental activities, net</b>	<u>\$ 456,364,763</u>	<u>\$ 41,199,469</u>	<u>\$ 1,308,646</u>	<u>\$ 496,255,586</u>
<b>Business-type activities</b>				
Machinery and equipment	\$ 238,003	\$ 3,689	\$ -	\$ 241,692
Less accumulated depreciation	<u>(138,123)</u>	<u>(16,250)</u>	<u>-</u>	<u>(154,373)</u>
<b>Business-type activities, net</b>	<u>\$ 99,880</u>	<u>\$ (12,561)</u>	<u>\$ -</u>	<u>\$ 87,319</u>

# LOWER MERION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Depreciation expense was charged to functions/programs of the District as follows:

<b>Governmental activities</b>	
Unallocated	\$12,541,239
<b>Business-type activities</b>	
Food service	<u>16,250</u>
	<u>\$12,557,489</u>

As of June 30, 2022, the District had outstanding construction commitments totaling \$13,130,785 related to the construction of the new Black Rock Middle School, the Welsh Valley Middle School roof replacement and tennis courts for the Bala Cynwyd Middle School and Welsh Valley Middle School.

### (5) INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2022 is as follows:

<u>Receivable To</u>	<u>Amount</u>	<u>Payable From</u>	<u>Amount</u>
General Fund	\$ 101,720	Food Service Fund	\$ 101,720
Food Service Fund	257,892	General Fund	257,892
Capital Reserve Fund	<u>6,889,179</u>	General Fund	<u>6,889,179</u>
	<u>\$7,248,791</u>		<u>\$7,248,791</u>

Interfund balances between funds represent temporary loans recorded at year-end as the result of a final allocation of expenses.

A summary of interfund transfers for the year ended June 30, 2022 is as follows:

<u>Transfers In</u>	<u>Amount</u>	<u>Transfers Out</u>	<u>Amount</u>
Capital Reserve Fund	<u>\$6,889,179</u>	General Fund	<u>\$6,889,179</u>

Transfers from the General Fund to the Capital Reserve Fund represents transfers to subsidize future capital expenditures.

### (6) CHANGE IN NONCURRENT LIABILITIES

The following summarizes the changes in noncurrent liabilities for the year ended June 30, 2022:

	<u>Balance</u>			<u>Balance</u>	<u>Amount</u>
	<u>July 1, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2022</u>	<u>Due Within</u>
					<u>One Year</u>
<b>Governmental activities</b>					
<b>General obligation debt</b>					
Bonds payable	\$233,860,000	\$ -	\$18,055,000	\$215,805,000	\$19,860,000
Note payable	7,300,000	-	2,400,000	4,900,000	2,400,000
Bond premiums (discounts)	<u>29,028,600</u>	<u>-</u>	<u>2,846,547</u>	<u>26,182,053</u>	<u>2,846,547</u>
<b>Total general obligation debt</b>	<u>270,188,600</u>	<u>-</u>	<u>23,301,547</u>	<u>246,887,053</u>	<u>25,106,547</u>
<b>Other noncurrent liabilities</b>					
Compensated absences	333,552	523,315	-	856,867	-
Lease payable	-	438,265	130,515	307,750	131,324
Net pension liability - PSERS	445,573,138	-	65,744,472	379,828,666	-
Net OPEB liability - PSERS	19,703,000	2,181,069	-	21,884,069	-
OPEB liability	<u>11,721,700</u>	<u>-</u>	<u>92,412</u>	<u>11,629,288</u>	<u>-</u>
<b>Total other noncurrent liabilities</b>	<u>477,331,390</u>	<u>3,142,649</u>	<u>65,967,399</u>	<u>414,506,640</u>	<u>131,324</u>
<b>Total governmental activities</b>	<u>747,519,990</u>	<u>3,142,949</u>	<u>89,268,946</u>	<u>661,393,693</u>	<u>25,237,871</u>

**LOWER MERION SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2022**

<b>Business-type activities</b>					
Net pension liability - PSERS	3,634,862	-	486,351	3,148,511	-
Net OPEB liability - PSERS	<u>159,437</u>	<u>21,967</u>	<u>-</u>	<u>181,404</u>	<u>-</u>
<b>Total business-type activities</b>	<u>3,794,299</u>	<u>21,967</u>	<u>486,351</u>	<u>3,329,915</u>	<u>-</u>
<b>Total noncurrent liabilities</b>	<u>\$751,314,289</u>	<u>\$3,164,616</u>	<u>\$89,755,297</u>	<u>\$664,723,608</u>	<u>\$25,237,871</u>

Noncurrent liabilities of governmental activities are generally liquidated by the General Fund, while noncurrent liabilities of the business-type activities are generally liquidated by the Food Service Fund.

**(7) GENERAL OBLIGATION DEBT**

General obligation debt is a direct obligation of the District for which full faith and credit are pledged and is payable from unrestricted local sources. The District has not pledged any assets as collateral for general obligation debt. General obligation debt was issued to finance capital expenditures or to finance the retirement (refund) of prior general obligation debt.

General obligation debt outstanding as of June 30, 2022 consisted of the following:

<u>Description</u>	<u>Interest Rate(s)</u>	<u>Original Issue Amount</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
<b>General obligation bonds</b>				
Series A and B of 2009	Variable	\$102,350,000	04/01/2027	\$ 36,970,000
Series A of 2015	3.00-3.125%	\$9,700,000	09/01/2034	7,210,000
Series B of 2015	2.00-5.00%	\$31,880,000	09/01/2028	20,150,000
Series of 2016	2.00-5.00%	\$55,665,000	09/15/2032	33,730,000
Series of 2019	4.00-5.00%	\$24,470,000	11/15/2031	24,460,000
Series A of 2019	1.50-3.00%	\$18,950,000	11/15/2025	18,940,000
Series of 2020	4.00-5.00%	\$50,625,000	11/15/2031	50,620,000
Series of 2021	5.00%	\$24,785,000	11/15/2028	<u>23,725,000</u>
<b>Total general obligation bonds</b>				215,805,000
<b>General obligation note</b>				
Series of 1989	Variable	\$33,205,000	08/01/2023	4,900,000
<b>Bond premiums and discounts</b>				
<b>Total general obligation debt</b>				<u>\$220,705,000</u>

Variable interest rates are adjusted weekly based upon the Securities Industry and Financial Markets Association.

Annual debt service requirements to maturity on these obligations are as follows:

<u>Year ending June 30,</u>	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Total</u>
2023	\$ 22,260,000	\$ 8,535,735	\$ 30,795,735
2024	24,275,000	7,476,135	31,751,135
2025	23,405,000	6,589,535	29,994,535
2026	24,235,000	5,671,773	29,906,773
2027	25,250,000	4,588,710	29,838,710
2028-2032	94,430,000	10,231,413	104,661,413
2033-2035	<u>6,850,000</u>	<u>164,968</u>	<u>7,014,968</u>
	<u>\$220,705,000</u>	<u>\$43,258,269</u>	<u>\$263,963,269</u>

# LOWER MERION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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### (8) LEASE PAYABLE

On July 1, 2021, the District entered into a 40-month lease as lessee for the use of copiers. An initial lease liability was recorded in the amount of \$438,265. As of June 30, 2022, the value of the lease liability is \$307,750. The District is required to make monthly fixed payments of \$11,077.35. The lease has an imputed interest rate of 0.648%. The equipment's estimated useful life was 40 months as of the contract commencement. The value of the right to use asset as of June 30, 2022 was \$438,265 with accumulated amortization of \$128,796 and is included in noncurrent assets on the state of net position (deficit). There is no purchase option available under the lease.

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$131,324	\$1,605	\$132,929
2024	132,177	751	132,928
2025	<u>44,249</u>	<u>60</u>	<u>44,309</u>
	<u>\$307,750</u>	<u>\$2,416</u>	<u>\$310,166</u>

### (9) PENSION PLAN

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

#### 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 PSERS include all full-time public employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at [www.psers.state.pa.us](http://www.psers.state.pa.us).

#### 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 credited service; (b) age 60 with 30 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 membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2.00% or 2.50%, 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.

# LOWER MERION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2.00% or 2.50%, 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.

### **Contributions**

#### **Member Contributions**

Active members who joined PSERS 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 PSERS 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 PSERS 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 PSERS after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.50% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect T-F membership, contribute at 10.30% (base rate) of the member's qualifying compensation. Membership Class T-E and T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause Membership Class T-E contribution rate to fluctuate between 7.50% and 9.50% and Membership Class T-F contribution rate to fluctuate between 10.30% and 12.30%.

Employees who become an active member of PSERS on or after July 1, 2019, are enrolled in a hybrid plan that has a defined benefit and defined contribution component. Members who joined PSERS after June 30, 2019, automatically contribute at the Membership Class T-G rate of 8.25% (base rate), including a 2.75% defined contribution component of the member's qualifying compensation. All new hires after June 30, 2019, who elect T-H membership, contribute at 7.50% (base rate), including a 3.00% defined contribution component of the member's qualifying compensation. Membership Class T-G and T-H are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause Membership Class T-G contribution rate to fluctuate between 5.50% and 8.50% and Membership Class T-H contribution rate to fluctuate between 4.50% and 7.50%. All new members can also elect a DC membership and contribute at 7.50% (base rate) to a defined contribution plan that has no defined benefit component.

#### **Employer Contributions**

The District's contractually required contribution rate for fiscal year ended June 30, 2022 was 34.14% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the plan from the District were \$46,1704,426 for the year ended June 30, 2022.

**LOWER MERION SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

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

At June 30, 2022, the District reported a liability of \$382,977,177 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by rolling forward PSERS' total pension liability as of June 30, 2020 to June 30, 2021. The 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, 2022, the District's proportion was 0.9328 percent, which was an increase of .0205 percent from its proportion measured as of June 30, 2019. As of June 30, 2022, the net pension liability of \$379,828,666 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position and the remaining \$3,148,511 of the net pension liability is recorded as a liability in the proprietary fund statement of net position, and in the business-type activities in the government-wide statement of net position (deficit).

For the year ended June 30, 2022, the District recognized pension expense of \$30,707,000. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Difference between projected and actual experience	\$ 282,000	\$ 5,032,000
Changes in assumptions	18,576,000	-
Net difference between projected and actual investment earnings	-	60,961,000
Changes in proportions	12,064,000	-
Contributions subsequent to the measurement date	<u>46,170,426</u>	<u>-</u>
	<b><u>\$77,092,426</u></b>	<b><u>\$65,993,000</u></b>

\$46,170,426 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30,**

2023	\$ (6,524,000)
2024	(3,906,000)
2025	(4,946,000)
2026	<u>(19,695,000)</u>
	<b><u>\$(35,071,000)</u></b>

**Actuarial Assumptions**

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

- Actuarial cost method - entry age normal - level % of pay
- Investment return – 7.00%, includes inflation at 2.50%
- Salary growth - Effective average of 4.5%, comprised of inflation of 2.5% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

# LOWER MERION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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

The long-term expected rate of return on 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 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	27.00 %	5.20%
Private equity	12.00 %	7.30%
Fixed income	35.00 %	1.80%
Commodities	10.00 %	2.00%
Absolute return	8.00 %	3.10%
Infrastructure/MLPs	8.00 %	5.10%
Real estate	10.00 %	4.70%
Cash	3.00 %	0.10%
Leverage	<u>(13.00)%</u>	0.10%
	<u>100.00 %</u>	

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

### Discount Rate

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

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

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

	<u>1% Decrease 6.00%</u>	<u>Current Discount Rate 7.00%</u>	<u>1% Increase 8.00%</u>
District's proportionate share of the net pension liability	<u>\$502,671,527</u>	<u>\$382,977,177</u>	<u>\$282,009,077</u>

### Pension Plan Fiduciary Net Position

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

# LOWER MERION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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### (10) OTHER POST-EMPLOYMENT BENEFITS

#### Single-Employer Defined Benefit OPEB Plan

The District's other post-employment benefits ("**OPEB**") include a single-employer defined benefit plan that provides medical and dental insurance to all retirees and their dependents. The School Board has the authority to establish and amend benefit provisions. The OPEB Plan does not issue any financial report and is not included in the report of any public employee retirement system or any other entity.

#### OPEB Plan Membership

Membership in the OPEB plan consisted of the following at July 1, 2020:

Active participants	1,555
Retired participants	682
Vested former participants	<u>5</u>
Total	<u>2,242</u>

#### Funding Policy

The District's contributions are funded on a pay-as-you-go basis. The contribution requirements of retirees are established and may be amended by the School Board.

#### OPEB Liability

The District's OPEB liability has been measured as of June 30, 2022. The total OPEB liability was determined by an actuarial valuation as of July 1, 2020, and by rolling forward the liabilities from the July 1, 2020 actuarial valuation through the measurement date. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. The OPEB liability is \$11,629,288, all of which is unfunded. As of June 30, 2022, the OPEB liability is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position (deficit).

The District's change in its OPEB liability for the year ended June 30, 2022 was as follows:

<b>Balance as of July 1, 2021</b>	<u>\$11,721,700</u>
<b>Changes for the year</b>	
Service cost	753,281
Interest on total OPEB liability	226,032
Differences between expected and actual experience	-
Changes in assumptions	(476,022)
Benefit payments	<u>(595,703)</u>
<b>Net changes</b>	<u>(92,412)</u>
<b>Balance as of June 30, 2022</b>	<u>\$11,629,288</u>

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

For the year ended June 30, 2022, the District recognized OPEB expense of \$682,146. At June 30, 2022, the District had deferred outflows of resources and deferred inflows of resources related to the OPEB plan from the following sources:

**LOWER MERION SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2022

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between expected and actual experience	\$ -	\$1,312,904
Changes in assumptions	552,327	662,244
Contributions subsequent to the measurement date	<u>614,019</u>	<u>-</u>
	<u>\$1,166,346</u>	<u>\$1,975,148</u>

\$614,019 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**Year ended June 30,**

2023	\$ (297,167)
2024	(297,167)
2025	(297,168)
2026	(296,989)
2027	(110,786)
Thereafter	<u>(123,544)</u>
	<u>\$(1,422,821)</u>

**Sensitivity of the OPEB Liability to Change in Healthcare Cost Trend Rates**

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

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
OPEB liability	<u>\$10,766,059</u>	<u>\$11,629,288</u>	<u>\$12,631,730</u>

**Sensitivity of the OPEB Liability to Changes in the Discount Rate**

The following presents the net OPEB liability of the District calculated using the discount rate of 2.28%, as well as what the OPEB liability would be if it were calculated using the discount rate that is one percentage point lower (1.28%) or 1 percentage point higher (3.28%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>1.28%</u>	<u>2.28%</u>	<u>3.28%</u>
OPEB Liability	<u>\$12,817,796</u>	<u>\$11,629,288</u>	<u>\$10,611,257</u>

**Actuarial Methods and Significant Assumptions**

The OPEB Liability as of June 30, 2022, was determined by rolling forward the OPEB Liability as of July 1, 2020 to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - entry age normal
- Discount rate – 2.28% - Standard and Poors 20-year municipal bond rate. The discount rate changed from 1.86% to 2.28%.

# LOWER MERION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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- Salary growth – salary increases are composed of inflation of 2.50%, 1.00% for real wage growth and 0.00% to 2.75% for merit or seniority increases.
- Assumed healthcare cost trends – 5.50% in 2020 through 2023. 5.40% in 2024, gradually decreasing to 4.00% in 2075.
- Mortality – separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation. Incorporated into the table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.

### **Cost Sharing Multiple-Employer Defined Benefit OPEB Plan**

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 PSERS and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### **Plan Description**

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

Retirees of PSERS can participate in the health insurance 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 PSERS' health options program or employer-sponsored health insurance program.

### **Benefits Provided**

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

### **Employer Contributions**

The District's contractually required contribution rate for the fiscal year ended June 30, 2022 was 0.80% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$1,086,683 for the year ended June 30, 2022.

# LOWER MERION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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

At June 30, 2022, the District reported a liability of \$22,065,473 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward PSERS' total OPEB liability as of June 30, 2020 to June 30, 2021. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2022, the District's proportion was 0.9310 percent, which was an increase of 0.0187 from its proportion measured as of June 30, 2021. As of June 30, 2022, the net OPEB liability of \$21,884,069 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position and the remaining \$181,404 of the net OPEB liability is recorded as a liability in the proprietary fund statement of net position, and in the business-type activities in the government-wide statement of net position (deficit).

For the year ended June 30, 2022, the District recognized OPEB expense of \$1,454,000. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 205,000	\$ -
Changes in assumptions	2,350,000	294,000
Net difference between projected and actual investment earnings	44,000	-
Changes in proportions	753,000	100,000
Contributions subsequent to the measurement date	<u>1,086,683</u>	<u>-</u>
	<u>\$4,438,683</u>	<u>\$394,000</u>

\$1,086,683 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

#### Year ended June 30,

2023	\$ 490,000
2024	485,000
2025	619,000
2026	577,000
2027	438,000
Thereafter	<u>349,000</u>
	<u>\$2,958,000</u>

#### Actuarial Assumptions

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

- Actuarial cost method - entry age normal - level % of pay
- Investment return – 2.18% - Standard & Poors 20 year municipal bond rate
- Salary growth - Effective average of 4.5%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.

# LOWER MERION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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- Premium assistance reimbursement is capped at \$1,200 per year.
- Assumed healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 retiree tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 improvement scale.

Participation rate:

- Eligible retirees will elect to participate pre age 65 at 50%
- Eligible retirees will elect to participate post age 65 at 70%

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

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2019 determined the employer contribution rate for fiscal year 2021.
- Cost method - amount necessary to assure solvency of premium assistance through the third fiscal year after the valuation date.
- Asset valuation method: market value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 mortality improvement scale.

Investments consist primarily of short term assets designed to protect the principal of the OPEB 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 health insurance premium assistance are established to provide reserves in the health insurance account that are sufficient for the payment of health insurance premium assistance benefits for each succeeding year.

<u>OPEB – Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	79.80%	0.10%
US core fixed income	17.50%	0.70%
Non-US developed fixed	<u>2.70%</u>	(0.30%)
	<u>100.00%</u>	

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

# LOWER MERION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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### Discount Rate

The discount rate used to measure the OPEB liability was 2.18%. Under the OPEB plan's funding policy, contributions are structured for short term funding of health insurance premium assistance. The funding policy sets contribution rates necessary to assure solvency of health insurance premium assistance through the third fiscal year after the actuarial valuation date. The health insurance premium assistance account is funded to establish reserves that are sufficient for the payment of health insurance 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 OPEB plan is considered a "pay-as-you-go" plan. A discount rate of 2.18% which represents the Standard & Poors 20 year municipal bond rate at June 30, 2021, was applied to all projected benefit payments to measure the total OPEB liability.

### Sensitivity of District's Proportionate Share of the Net OPEB Liability to Change in Healthcare Cost Trend Rates

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual health insurance premium assistance. As of June 30, 2021, retirees health insurance premium assistance benefits are not subject to future healthcare cost increases. The healthcare insurance premium assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. 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 net OPEB liability for June 30, 2021, calculated using current healthcare cost trends as well as what net OPEB liability would be if it health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	<u>\$22,062,968</u>	<u>\$22,065,473</u>	<u>\$22,067,446</u>

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>1.18%</u>	<u>2.18%</u>	<u>3.18%</u>
District's proportionate share of the net OPEB liability	<u>\$25,322,883</u>	<u>\$22,065,473</u>	<u>\$19,382,508</u>

### 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 PSERS's website at [www.psers.pa.gov](http://www.psers.pa.gov).

# LOWER MERION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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### (11) JOINTLY GOVERNED ORGANIZATION

#### Montgomery County Intermediate Unit

The District and the other Montgomery County school districts are participating members of the Montgomery County Intermediate Unit (the "MCIU"). The MCIU is a regional educational service agency, established by the Commonwealth of Pennsylvania, which is governed by a joint committee consisting of School Board members from each participating district. The School Board of each participating district must approve the annual operating budget of the MCIU but the participating districts have no ongoing fiduciary interest or responsibility to the MCIU. The MCIU is a self-sustaining organization that provides a broad array of services to participating districts which include: curriculum development and instructional improvement; educational planning services; instructional material; continuing professional development; pupil personnel services; management services and state and federal liaison services.

### (12) CONTINGENCIES AND COMMITMENTS

#### Government Grants and Awards

The District receives federal, state and local funding under a number of programs. Payments made by these sources under contractual agreements are provisional and subject to redetermination based on filing of reports and audits of those reports. Final settlements due from or to these sources are recorded in the year in which the related services are performed. Any adjustments resulting from subsequent examinations are recognized in the year in which the results of such examinations become known. District officials do not expect any significant adjustments as a result of these examinations.

#### Litigation

The District is a defendant in various matters of litigation and claims. These matters result from the normal course of business. The following matters have a determinable settlement cost and have been disclosed in the financial statements:

A class action suit by District taxpayers regarding allegations of misrepresentations related to budgets, curriculum, construction projects and tax increases was settled in October 2022 in the amount of \$27 million of which \$15 million will be paid directly to taxpayers who owned property during the tax years 2016-2021 and is accrued in accounts payable as of June 30, 2022. The remaining \$12 million will be shown as a credit on future real estate tax billings for the 2023, 2024, and 2025 real estate tax bills. This amount is shown as restricted in the General Fund - Balance Sheet and Statement of Net Position (Deficit) of June 30, 2022.

A tax assessment appeal for the tax years 2014-2021 tax years was settled in July 2022 in the amount of \$1,807,483 and is accrued in accounts payable in the accompanying financial statements as of June 30, 2022.

### (13) RISK MANAGEMENT

#### Health Insurance

The District participates in a consortium with other participating school districts and educational agencies from Montgomery County to provide self-insurance programs for health and prescription insurance coverage and related expenses for eligible employees, spouses and dependents. Accordingly, benefit payments plus an administrative charge are made to a third-party administrator, who approves and processes all claims.

# LOWER MERION SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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### Other Risks

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs including workers compensation. For insured programs, there were no significant reductions in insurance coverages during the 2021-2022 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

### (14) SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 17, 2023, the date on which the financial statements were available to be issued. Except as disclosed in Note 12, no material subsequent events have occurred since June 30, 2022 that required recognition or disclosure in the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

# LOWER MERION SCHOOL DISTRICT

## BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended June 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Local sources	\$ 247,553,710	\$ 247,553,710	\$ 253,558,993	\$ 6,005,283
State sources	42,911,254	42,911,254	42,386,983	(524,271)
Federal sources	2,197,000	2,197,000	2,869,842	672,842
<b>Total revenues</b>	<u>292,661,964</u>	<u>292,661,964</u>	<u>298,815,818</u>	<u>6,153,854</u>
<b>EXPENDITURES</b>				
<b>Instruction</b>				
Regular programs	115,591,956	116,130,126	116,130,123	3
Special programs	52,949,900	51,613,570	51,613,570	-
Vocational programs	475,000	671,455	671,452	3
Other instructional programs	1,483,596	1,042,996	1,042,993	3
Nonpublic school programs	10,000	23,255	23,254	1
<b>Total instruction</b>	<u>170,510,452</u>	<u>169,481,402</u>	<u>169,481,392</u>	<u>10</u>
<b>Support services</b>				
Pupil support services	11,002,745	10,928,845	10,928,844	1
Instructional staff services	7,250,556	6,955,296	6,955,294	2
Administrative services	15,495,777	16,487,117	16,487,114	3
Pupil health	4,130,548	4,389,263	4,389,262	1
Business services	1,370,971	1,365,066	1,365,062	4
Operation and maintenance of plant services	20,927,202	20,957,462	20,957,458	4
Student transportation services	16,140,404	16,313,874	16,313,874	-
Central and other support services	8,733,165	8,970,925	8,970,922	3
<b>Total support services</b>	<u>85,051,368</u>	<u>86,367,848</u>	<u>86,367,830</u>	<u>18</u>
<b>Operation of noninstructional services</b>				
Student activities	6,041,309	6,014,574	6,014,571	3
Community services	267,300	237,527	237,525	2
<b>Total operation of noninstructional services</b>	<u>6,308,609</u>	<u>6,252,101</u>	<u>6,252,096</u>	<u>5</u>
<b>Debt service</b>	<u>29,919,535</u>	<u>29,825,321</u>	<u>29,825,321</u>	<u>-</u>
<b>Total expenditures</b>	<u>291,789,964</u>	<u>291,926,672</u>	<u>291,926,639</u>	<u>33</u>
<b>Excess (deficiencies) of revenues over (under) expenditures</b>	<u>872,000</u>	<u>735,292</u>	<u>6,889,179</u>	<u>6,153,887</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Budgetary reserve	(800,000)	-	-	-
Transfers out	(72,000)	(735,292)	(6,889,179)	(6,153,887)
Refund of prior year receipts	-	-	(15,000,000)	(15,000,000)
<b>Total other financing sources (uses)</b>	<u>(872,000)</u>	<u>(735,292)</u>	<u>(21,889,179)</u>	<u>(21,153,887)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	<u>(15,000,000)</u>	<u>\$ (15,000,000)</u>
<b>FUND BALANCE</b>				
Beginning of year			43,149,291	
<b>End of year</b>			<u>\$ 28,149,291</u>	

**LOWER MERION SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - PSERS**

**Year ended June 30**

	<b>Measurement Date</b>							
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.9328%	0.9123%	0.9034%	0.8819%	0.8928%	0.8892%	0.8798%	0.8504%
District's proportionate share of the net pension liability	\$ 382,977,177	\$ 449,208,000	\$ 422,634,000	\$ 423,356,222	\$ 440,940,000	\$ 440,659,000	\$ 381,089,000	\$ 336,594,000
District's covered-employee payroll	\$ 131,974,804	\$ 127,994,129	\$ 124,589,330	\$ 118,766,849	\$ 118,860,782	\$ 115,166,003	\$ 113,197,880	\$ 108,521,471
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	290.19%	350.96%	339.22%	356.46%	370.97%	382.63%	336.66%	310.16%
Plan fiduciary net position as a percentage of the total pension liability	63.67%	54.32%	55.56%	54.00%	52.00%	50.00%	54.00%	57.00%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**LOWER MERION SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S PENSION PLAN CONTRIBUTIONS - PSERS**

**Year ended June 30**

	<u>Measurement Date</u>							
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 44,329,637	\$ 44,720,699	\$ 42,976,816	\$ 40,688,465	\$ 34,492,626	\$ 28,289,000	\$ 22,717,000	\$ 16,941,000
Contributions in relation to the contractually required contribution	<u>\$ 44,329,637</u>	<u>\$ 44,720,699</u>	<u>\$ 42,976,816</u>	<u>\$ 40,688,465</u>	<u>\$ 34,492,626</u>	<u>\$ 28,289,000</u>	<u>\$ 22,717,000</u>	<u>\$ 16,941,000</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 131,974,804	\$ 127,994,129	\$ 124,589,330	\$ 118,766,849	\$ 118,860,782	\$ 115,166,003	\$ 113,197,880	\$ 108,521,471
Contributions as a percentage of covered-employee payroll	33.59%	34.94%	34.49%	34.26%	29.02%	24.56%	20.07%	15.61%

5 In accordance with GASB Statement No. 68, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

# LOWER MERION SCHOOL DISTRICT

## SCHEDULE OF CHANGES IN OPEB LIABILITY - SINGLE EMPLOYER PLAN

Year ended June 30

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>TOTAL OPEB LIABILITY</b>					
Service cost	\$ 753,281	\$ 712,373	\$ 705,819	\$ 834,823	\$ 795,592
Interest on total OPEB liability	226,032	389,984	340,340	386,365	293,799
Differences between expected and actual experience	-	(772,783)	-	(1,466,637)	-
Changes of assumptions	(476,022)	736,435	(373,919)	(22,993)	(1,409)
Benefit payments	<u>(595,703)</u>	<u>(520,669)</u>	<u>(460,099)</u>	<u>(603,194)</u>	<u>(557,843)</u>
<b>Net change in total OPEB liability</b>	(92,412)	545,340	212,141	(871,636)	530,139
<b>Total OPEB liability, beginning</b>	<u>11,721,700</u>	<u>11,176,360</u>	<u>10,964,219</u>	<u>11,835,855</u>	<u>11,305,716</u>
<b>Total OPEB liability, ending</b>	<u>\$ 11,629,288</u>	<u>\$ 11,721,700</u>	<u>\$ 11,176,360</u>	<u>\$ 10,964,219</u>	<u>\$ 11,835,855</u>
<b>Fiduciary net position as a % of total OPEB liability</b>	0.00%	0.00%	0.00%	0.00%	0.00%
<b>Covered payroll</b>	\$ 119,898,842	\$ 119,898,842	\$ 114,511,540	\$ 114,511,540	\$ 109,660,791
<b>Net OPEB liability as a % of covered payroll</b>	9.70%	9.78%	9.76%	9.57%	10.79%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**LOWER MERION SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE OPEB LIABILITY -PSERS**

**Year ended June 30**

	<u>Measurement Date</u>				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.9310%	0.9123%	0.9034%	0.8819%	0.8928%
District's proportionate share of the net OPEB liability	\$ 22,065,473	\$ 19,703,000	\$ 19,214,000	\$ 18,387,000	\$ 18,190,000
District's covered-employee payroll	\$ 131,974,804	\$ 127,994,129	\$ 124,589,330	\$ 118,766,849	\$ 118,860,782
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	16.72%	15.39%	15.42%	15.48%	15.30%
Plan fiduciary net position as a percentage of the total OPEB liability	5.30%	5.69%	5.56%	5.56%	6.00%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

# LOWER MERION SCHOOL DISTRICT

## SCHEDULE OF THE DISTRICT'S OPEB PLAN CONTRIBUTIONS - PSERS

Year ended June 30

	Measurement Date				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 1,083,358	\$ 1,088,482	\$ 1,035,933	\$ 980,441	\$ 876,812
Contributions in relation to the contractually required contribution	<u>\$ 1,083,358</u>	<u>\$ 1,088,482</u>	<u>\$ 1,035,933</u>	<u>\$ 980,441</u>	<u>\$ 876,812</u>
Contribution deficiency (excess)	-	-	-	-	-
District's covered-employee payroll	\$ 131,974,804	\$ 127,994,129	\$ 124,589,330	\$ 118,766,849	\$ 118,860,782
Contributions as a percentage of covered-employee payroll	0.82%	0.85%	0.83%	0.83%	0.74%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**SINGLE AUDIT**

# LOWER MERION SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS

Year ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Project Title	Source Code	Federal ALN Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Dates	Grant Amount	Total Received for Year	Accrued (Deferred) Revenue July 1, 2021	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue June 30, 2022	Passed Through to Subrecipients
<b>U.S. Department of Education</b>											
<b>Passed-Through the Pennsylvania Department of Education</b>											
Title I - Improving Basic Programs	I	84.010	13-210232	07/01/20-09/30/21	\$ 292,401	\$ 90,494	\$ 76,355	\$ 14,139	\$ 14,139	\$ -	\$ -
Title I - Improving Basic Programs	I	84.010	13-220232	07/01/21-09/30/22	308,762	82,793	-	284,655	284,655	201,862	-
Total ALN #84.010						173,287	76,355	298,794	298,794	201,862	-
Title II - Improving Teacher Quality	I	84.367	20-200232	07/01/19-09/30/20	143,110	19,009	28,513	-	-	9,504	-
Title II - Improving Teacher Quality	I	84.367	20-210232	07/01/20-09/30/21	138,652	53,410	33,100	20,310	20,310	-	-
Title II - Improving Teacher Quality	I	84.367	20-220232	07/01/21-09/30/22	144,859	38,659	-	108,494	108,494	69,835	-
Total ALN #84.367						111,078	61,613	128,804	128,804	79,339	-
Title III - Language Instruction LEP/ Immigrant Students	I	84.365	10-200232	07/01/19 - 09/30/20	57,554	15,348	1,270	14,078	14,078	-	-
Title III - Language Instruction LEP/ Immigrant Students	I	84.365	10-210232	07/01/20 - 09/30/21	66,361	40,838	(15,314)	48,928	48,928	(7,224)	-
Title III - Language Instruction LEP/ Immigrant Students	I	84.365	10-220232	07/01/21 - 09/30/22	47,313	12,460	-	-	-	(12,460)	-
Total ALN #84.367						68,646	(14,044)	63,006	63,006	(19,684)	-
Title IV - Student Support and Academic Enrichment	I	84.424	144-210232	07/01/20 - 09/30/21	22,991	14,148	11,315	6,371	6,371	3,538	-
Title IV - Student Support and Academic Enrichment	I	84.424	144-220232	07/01/21 - 09/30/22	21,983	5,859	-	14,804	14,804	8,945	-
Total ALN #84.424						20,007	11,315	21,175	21,175	12,483	-
COVID-19 SECIM	I	84.425C	252-200232	03/13/20 - 09/30/23	103,902	76,559	76,559	-	-	-	-
ESSER Fund II	I	84.425D	200-210232	03/13/20 - 09/30/23	1,079,490	1,079,490	1,079,490	-	-	-	-
ARP ESSER	I	84.425U	223-210232	03/13/20 - 09/30/24	2,183,496	119,100	-	520,548	520,548	401,448	-
ARP ESSER 7% Set Aside	I	84.425U	225-210232	03/13/20 - 09/30/24	169,708	9,257	-	111,542	111,542	102,285	-
<b>Passed-Through the Pennsylvania Commission on Crime and Delinquency</b>											
COVID-19 ESSER School Health and Safety Grants	I	84.425D	2020-ES-01-35289	03/13/20 - 09/30/22	268,325	10,189	10,189	-	-	-	-
Total ALN #84.425						1,294,595	1,166,238	632,090	632,090	503,733	-

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Continued on next page

<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal ALN Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Dates</u>	<u>Grant Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue July 1, 2021</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2022</u>	<u>Passed Through to Subrecipients</u>
<b>Passed Through the Montgomery County I.U.</b>											
I.D.E.A. - Part B, Section 611	I	84.027	062-210023	07/01/20 - 09/30/21	1,517,809	869,784	723,062	146,722	146,722	-	-
I.D.E.A. - Part B, Section 611	I	84.027	062-220023	07/01/21 - 09/30/22	1,491,254	741,926	-	1,491,254	1,491,254	749,328	-
COVID-19 - I.D.E.A. - Part B, Section 611	I	84.027	062-220023	07/01/21 - 06/30/22	349,800	297,330	-	349,800	349,800	52,470	-
Total ALN #84.027						<u>1,909,040</u>	<u>723,062</u>	<u>1,987,776</u>	<u>1,987,776</u>	<u>801,798</u>	<u>-</u>
I.D.E.A. - Part B, Section 619	I	84.173	131-220023	07/01/21 - 06/30/22	4,704	3,998	-	4,704	4,704	706	-
<b>Total U.S. Department of Education</b>						<u>3,580,651</u>	<u>2,024,539</u>	<u>3,136,349</u>	<u>3,136,349</u>	<u>1,580,237</u>	<u>-</u>
<b><u>U.S. Department of Homeland Security</u></b>											
<b>Passed Through the Pennsylvania Emergency Management Agency</b>											
Disaster Grants - Public Assistance	I	97.036	N/A	07/01/20-06/30/21	31,933	-	3,193	-	-	3,193	-
<b><u>U.S. Department of Health and Social Services</u></b>											
<b>Passed Through the Pennsylvania Department of Welfare</b>											
Medical Assistance Program	I	93.778	N/A	07/01/20 - 06/30/21	59,202	35,484	35,484	-	-	-	-
Medical Assistance Program	I	93.778	N/A	07/01/21 - 06/30/22	56,921	29,374	-	56,921	56,921	27,547	-
Total ALN #93.788						<u>64,858</u>	<u>35,484</u>	<u>56,921</u>	<u>56,921</u>	<u>27,547</u>	<u>-</u>
<b><u>U.S. Department of Agriculture</u></b>											
<b>Passed-Through the Pennsylvania Department of Education</b>											
State Matching Share - Lunch	S	N/A	N/A	07/01/21 - 06/30/22	N/A	70,317	-	76,333	76,333	6,017	-
State Matching Share - Breakfast	S	N/A	N/A	07/01/21 - 06/30/22	N/A	12,199	-	23,069	23,069	10,870	-
Total State Matching						<u>82,516</u>	<u>-</u>	<u>99,402</u>	<u>99,402</u>	<u>16,887</u>	<u>-</u>
Breakfast Program	I	10.553	N/A	07/01/21 - 06/30/22	N/A	310,482	-	512,248	512,248	201,766	-
Summer Food Program	I	10.559	N/A	07/01/21 - 06/30/22	N/A	331,925	179,195	152,730	152,730	-	-
P-EBT Local Operating Funds	I	10.649	N/A	07/01/21 - 06/30/22	N/A	3,063	-	3,063	3,063	-	-
National School Lunch Program	I	10.555	N/A	07/01/21 - 06/30/22	N/A	2,597,832	-	2,991,583	2,991,583	393,751	-
Supply Chain Assistance	I	10.555	N/A	07/01/21 - 06/30/22	N/A	162,907	-	162,907	162,907	-	-
SNP Emergency Operating Costs	I	10.555	N/A	07/01/21 - 06/30/22	N/A	6,461	-	6,461	6,461	-	-

**Continued on next page**

<b>Federal Grantor/Pass-Through Grantor/Project Title</b>	<b>Source Code</b>	<b>Federal ALN Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Grant Period Beginning/Ending Dates</b>	<b>Grant Amount</b>	<b>Total Received for Year</b>	<b>Accrued (Deferred) Revenue July 1, 2021</b>	<b>Revenue Recognized</b>	<b>Expenditures</b>	<b>Accrued (Deferred) Revenue June 30, 2022</b>	<b>Passed Through to Subrecipients</b>
<b>Passed-Through the Pennsylvania Department of Agriculture</b>											
National School Lunch Program	I	10.555	N/A	07/01/21 - 06/30/22	N/A	a) 253,965	b) (11,147)	c) 231,333	231,333	d) (33,779)	-
Total ALN #10.555						3,021,165	(11,147)	3,392,284	3,392,284	359,972	-
<b>Total U.S. Department of Agriculture</b>						3,749,151	168,048	4,159,727	4,159,727	578,625	-
<b>Total Federal Awards and Certain State Grants</b>						\$ 7,394,660	\$ 2,231,264	\$ 7,352,997	\$ 7,352,997	\$ 2,189,602	\$ -
Total Federal Awards						\$ 7,312,144	\$ 2,231,264	\$ 7,253,595	\$ 7,253,595	\$ 2,172,715	\$ -
Total State Awards						82,516	-	99,402	99,402	16,887	-
Total Federal Awards and Certain State Grants						\$ 7,394,660	\$ 2,231,264	\$ 7,352,997	\$ 7,352,997	\$ 2,189,602	\$ -
Special Education Cluster (IDEA) (ALN's #84.027 and #84.173)						\$ 1,913,038	\$ 723,062	\$ 1,992,480	\$ 1,992,480	\$ 802,504	\$ -
Child Nutrition Cluster (ALN's #10.553, #10.555 and #10.559)						\$ 3,663,572	\$ 168,048	\$ 4,057,262	\$ 4,057,262	\$ 561,738	\$ -

**Source Codes**

- D - Direct Funding
- I - Indirect Funding
- S - State Funding

**Footnotes**

- a) Total amount of commodities received
- b) Beginning inventory July 1
- c) Total amount of commodities used
- d) Ending inventory June 30

# LOWER MERION SCHOOL DISTRICT

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS

June 30, 2022

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### (1) FEDERAL EXPENDITURES

The Schedule of Expenditures of Federal Awards and Certain State Grants reflects federal expenditures for all individual grants which were active during the fiscal year. Additionally, the Schedule reflects expenditures for certain state grants.

### (2) BASIS OF ACCOUNTING

The District uses the modified accrual method of recording transactions except as noted for the accounting of donated commodities in Note 3. Revenues are recorded when measurable and available. Expenditures are recorded when incurred.

### (3) NONMONETARY FEDERAL AWARDS – DONATED FOOD

The Commonwealth of Pennsylvania distributes federal surplus food to institutions (schools, hospitals and prisons) and to the needy. Expenditures reported in the Schedule of Expenditures of Federal Awards and Certain State Grants under ALN #10.555 USDA Commodities represent federal surplus food consumed by the District during the 2021-2022 fiscal year.

### (4) ACCESS PROGRAM

The District participates in the ACCESS Program which is a medical assistance program that reimburses local educational agencies for direct eligible health-related services provided to enrolled special needs students. Reimbursements are federal source revenues but are classified as fee-for-service and are not considered federal financial assistance. The amount of ACCESS funding recognized for the year ended June 30, 2022 was \$1,668,301.

### (5) INDIRECT COSTS

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**LOWER MERION SCHOOL DISTRICT**

***SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS***

**Year ended June 30, 2022**

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There were no audit findings for the year ended June 30, 2021.



**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***

**Board of School Directors  
Lower Merion School District  
Ardmore, 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 Lower Merion School District, Ardmore, Pennsylvania, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Lower Merion School District's basic financial statements, and have issued our report thereon dated January 17, 2023.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Lower Merion 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 Lower Merion School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Lower Merion 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 Lower Merion 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.

**BBD, LLP**

**Philadelphia, Pennsylvania  
January 17, 2023**



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

**Board of School Directors  
Lower Merion School District  
Ardmore, Pennsylvania**

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

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

We have audited Lower Merion School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Lower Merion School District's major federal programs for the year ended June 30, 2022. Lower Merion School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Lower Merion School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

***Basis for Opinion on Each Major Federal Program***

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

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

***Responsibilities of Management for Compliance***

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

### ***Auditor's Responsibilities for the Audit of Compliance***

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

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

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

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

### **Report on Internal Control over Compliance**

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

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

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

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

**BBD, LLP**

**Philadelphia, Pennsylvania  
January 17, 2023**

# LOWER MERION SCHOOL DISTRICT

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2022

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### SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Lower Merion School District were prepared in accordance with GAAP.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements of Lower Merion School District are reported in the 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.
3. No instances of noncompliance material to the financial statements of Lower Merion School District, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over the major federal award programs are reported in the independent auditor's report on compliance for each major program and on internal control over compliance required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for Lower Merion School District expresses an unmodified opinion on all major federal programs.
6. There are no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) of the Uniform Guidance.
7. The program tested as a major program was:
  - Special Education Cluster:
  - IDEA Part B, Section 611 – ALN Number 84.027
  - IDEA Part B, Section 619 – ALN Number 84.173
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. Lower Merion School District did qualify as a low-risk auditee.

### FINDINGS—FINANCIAL STATEMENT AUDIT

None

### FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS AUDIT

None