

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

Year Ended June 30, 2021

INTRODUCTORY SECTION

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT

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FINANCIAL SECTION

Independent Auditors' Report

To the Board of School Directors
Lower Moreland Township School District
Huntingdon Valley, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund, and budgetary comparison information of the Lower Moreland Township School District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Lower Moreland Township School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

To the Board of School Directors
Lower Moreland Township School District
Huntingdon Valley, Pennsylvania

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Lower Moreland Township School District as of June 30, 2021, 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.

Emphasis of Matter

As discussed in Note O, for the year ended June 30, 2021, Lower Moreland Township School District adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters

Report on Summarized Comparative Information

We have previously audited the Lower Moreland Township School District June 30, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 30, 2020. 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 16, schedule of the school district's proportionate share of the PSERS net pension liability on page 63, schedule of the school district's PSERS pension contributions on page 64, schedule of the school district's proportionate share of the PSERS net other postemployment benefit plan liability on page 65, schedule of the school district's PSERS other postemployment benefit plan contributions on page 66, and schedule of changes in the total other postemployment benefit plan liability and related ratios on page 67 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the Board of School Directors
Lower Moreland Township School District
Huntingdon Valley, Pennsylvania

Other Information

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

The schedule of expenditures of federal awards 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 supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2021, on our consideration of the Lower Moreland Township 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 the Lower Moreland Township School District 's internal control over financial reporting and compliance.

Maillie LLP

Limerick, Pennsylvania
December 1, 2021

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2021

The discussion and analysis of the financial performance of Lower Moreland Township School District (the "District") provides an overall review of the District's financial activities for the fiscal year ended June 30, 2021. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes thereto to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

The trends of prior years' indicated that during the fiscal year 2020-2021, the District would experience another year of significant increases in the costs for special education instruction and increased cost for regular instruction due to enrollment increases. In the budgeting process, the Board of School Directors (the "Board") was able to balance the budget with a 2.41 percent increase in taxes. In an attempt to lessen the tax burden, the Board elected to utilize \$474,886 in fund balance or savings to offset the tax increase. The actual results of operations showed that revenues were significantly more than expected and expenditures came below the budget figure. Conservative revenue budgeting resulted in increases in transfer taxes and interim taxes due to two new developments coming online. Delinquent taxes also far exceeded budgeted amounts. On the expenditure side, the District spent an amount approaching the budget. The Board approved to commit \$2,225,000 of fund balance for future debt service payments to pay for the increases for the new high school during the two-year phase-in period for debt service.

USING THE BASIC FINANCIAL STATEMENTS

The MD&A introduces the District's basic financial statements. The basic financial statements consist of a series of financial statements and notes to those statements. These statements are organized so that the reader, by considering the entity-wide financial statements, can understand Lower Moreland Township School District as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The first two statements are entity-wide financial statements - the Statement of Net Position and the Statement of Activities. These provide both long-term and short-term information about the District's overall financial status. The remaining three statements are fund financial statements that focus on individual parts of the District's operations in more detail than the entity-wide statements. The governmental fund statements tell how general District services were financed in the short term as well as what remains for future spending.

Proprietary fund statements offer short-term and long-term financial information about the activities that the District operates like a business. For Lower Moreland Township School District, this is its Food Service Fund. Fiduciary fund statements provide information about financial relationships wherein the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2021

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

Figure A-1 shows how the required parts of this financial report are arranged and relate to one another.

Figure A-1
Required Components of
Lower Moreland Township School District's
Financial Report

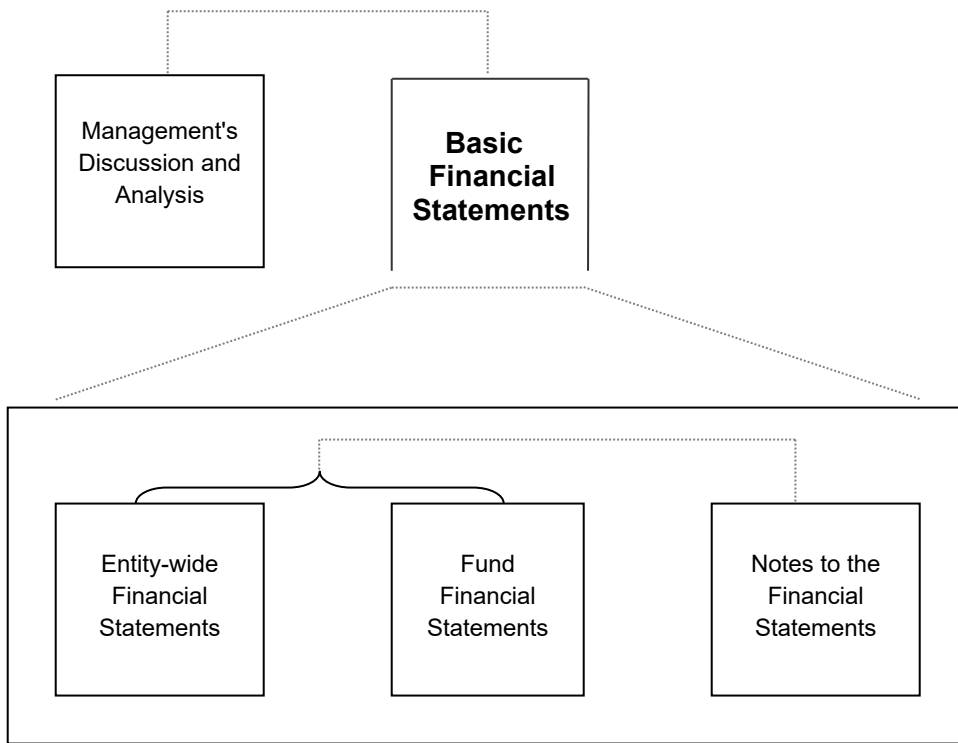


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District they cover and the types of information they contain. The remainder of this overview section of the MD&A explains the structure and contents of each of the statements.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2021

Figure A-2
Major Features of Lower Moreland Township School District's
Entity-Wide and Fund Financial Statements

	Entity-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as education, administration and community services	Activities the District operates similar to private business - Food services	Instances in which the District is the trustee or agent to someone else's resources - Scholarship funds
Required financial statements	Statement of Net Position; Statement of Activities	Balance Sheet; Statement of Revenues, Expenditures and Changes in Fund Balances; Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	Statement of Net Position; Statement of Revenues, Expenses and Changes in Net Position; Statement of Cash Flows	Statement of Fiduciary Net Position; Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets, deferred outflows of resources and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and short-term liabilities and deferred inflows of resources; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow-outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received, except for long-term debt obligations	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED JUNE 30, 2021

OVERVIEW OF FINANCIAL STATEMENTS

Entity-Wide Statements

The two entity-wide statements, which are on pages 17 and 18, report the District's net position and how it has changed. Net position is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position is an indication of whether its financial health is improving or deteriorating, respectively.

To assess the overall financial health of the District, the reader needs to consider additional financial factors, such as changes in the District's property tax base.

The entity-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, 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, students and visitors to help it cover the costs of the food service operation.

Fund Financial Statements

The District's fund financial statements, which begin on page 19, provide detailed information about the most significant funds - not the District as a whole. Some funds are required by state law and by bond requirements.

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. They are reported using the modified accrual accounting method, 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 governmental fund financial statements.

Proprietary Funds - These funds are used to account for the District activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position and a significant portion of funding through user charges. When the 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 entity-wide statements, but provide more detail and additional information, such as cash flows.

Fiduciary Funds - The District is the trustee, or fiduciary, for some custodial funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position on pages 28 and 29. These activities have been excluded from the District's entity-wide financial statements because the District cannot use these assets to finance its operations.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2021

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's total net position was (\$39,814,744) at June 30, 2021.

Table A-1
Net Position
As of June 30, 2021

	Governmental Activities		Business- Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
ASSETS AND DEFERRED						
OUTFLOWS OF RESOURCES						
Current and other assets	\$ 46,539,815	\$ 13,935,149	\$ 335,605	\$ 263,663	\$ 46,875,420	\$ 14,198,812
Capital assets	45,996,042	47,754,760	3,755	5,752	45,999,797	47,760,512
Total Assets	<u>92,535,857</u>	<u>61,689,909</u>	<u>339,360</u>	<u>269,415</u>	<u>92,875,217</u>	<u>61,959,324</u>
Deferred charges on bond refund	690,873	1,083,123	-	-	690,873	1,083,123
Deferred charges on pensions	13,258,000	9,674,000	-	-	13,258,000	9,674,000
Deferred charges on OPEB	931,921	456,442	-	-	931,921	456,442
Total Deferred Outflows of Resources	<u>14,880,794</u>	<u>11,213,565</u>	<u>-</u>	<u>-</u>	<u>14,880,794</u>	<u>11,213,565</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>107,416,651</u>	<u>72,903,474</u>	<u>339,360</u>	<u>269,415</u>	<u>107,756,011</u>	<u>73,172,889</u>
LIABILITIES						
Current and other liabilities	10,051,013	9,625,994	114,512	91,828	10,165,525	9,717,822
Long- term liabilities	134,880,953	99,143,421	-	-	134,880,953	99,143,421
TOTAL LIABILITIES	<u>144,931,966</u>	<u>108,769,415</u>	<u>114,512</u>	<u>91,828</u>	<u>145,046,478</u>	<u>108,861,243</u>
DEFERRED INFLOWS OF RESOURCES						
Pension Activities	1,810,000	2,541,000	-	-	1,810,000	2,541,000
OPEB Activities	714,277	788,151	-	-	714,277	788,151
Total Deferred Inflows of Resources	<u>2,524,277</u>	<u>3,329,151</u>	<u>-</u>	<u>-</u>	<u>2,524,277</u>	<u>3,329,151</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>147,456,243</u>	<u>112,098,566</u>	<u>114,512</u>	<u>91,828</u>	<u>147,570,755</u>	<u>112,190,394</u>
NET ASSETS						
Net investment in capital assets	22,780,995	28,691,409	3,755	5,752	22,784,750	28,697,161
Unrestricted	<u>(62,820,587)</u>	<u>(67,886,501)</u>	<u>221,093</u>	<u>171,835</u>	<u>(62,599,494)</u>	<u>(67,714,666)</u>
TOTAL NET POSITION	<u>\$ (40,039,592)</u>	<u>\$ (39,195,092)</u>	<u>\$ 224,848</u>	<u>\$ 177,587</u>	<u>\$ (39,814,744)</u>	<u>\$ (39,017,505)</u>

Most of the District's assets are invested in capital assets (buildings, land and equipment). At June 30, 2021, the District has less of a net investment in capital assets balance than in the prior year. The change is a large increase on long-term liabilities due to large bond issues that occurred during 20/21. Unrestricted net position reflects a negative balance due primarily to the GASB 68 statement to account for future pension costs. The decrease in capital assets was a result of current year additions not exceeding current year depreciation. Current assets increased due to increased revenues as well as two large bond issues. The decrease in net position is a reflection of a lower valuation of the long term pension obligations.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2021

The results of this year's operations as a whole are reported in the Statement of Activities on page 18. All expenses are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories reduce the expense amounts, thus showing the final amount of the District's activities that are supported by other general revenues. The two largest general revenues are the local taxes assessed to taxpayers, and grants and entitlements not restricted to specific programs, the majority of which is the basic education subsidy provided by the Commonwealth of Pennsylvania.

Table A-2 takes the information from that statement and rearranges it slightly, so the reader can see the District's total revenues for the year.

Table A-2
Changes in Net Position
Fiscal Year Ended June 30, 2021

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
REVENUES						
Program revenues:						
Charges for services	\$ 82,704	\$ 207,470	\$ 112,111	\$ 595,370	\$ 194,815	\$ 802,840
Operating grants and contributions	7,487,338	6,569,748	625,038	158,305	8,112,376	6,728,053
General revenues:						
Property taxes	39,686,699	37,866,979	-	-	39,686,699	37,866,979
Other taxes	3,804,552	3,418,729	-	-	3,804,552	3,418,729
Grants, subsidies and contributions, unrestricted	2,312,479	2,312,486	-	-	2,312,479	2,312,486
Other (including transfers)	422,993	780,430	278	7,765	423,271	788,195
TOTAL REVENUES	53,796,765	51,155,842	737,427	761,440	54,534,192	51,917,282
EXPENSES						
Instruction	35,106,308	33,376,787	-	-	35,106,308	33,376,787
Instructional student support	4,131,304	3,807,223	-	-	4,131,304	3,807,223
Administrative and financial support	5,953,435	5,001,910	-	-	5,953,435	5,001,910
Operation and maintenance of plant	4,822,611	3,342,161	-	-	4,822,611	3,342,161
Pupil transportation	2,781,274	2,812,106	-	-	2,781,274	2,812,106
Student activities	687,791	722,085	-	-	687,791	722,085
Community services	92,109	120,985	-	-	92,109	120,985
Interest on long-term debt	1,066,433	1,166,625	-	-	1,066,433	1,166,625
Food services	-	-	690,166	810,386	690,166	810,386
TOTAL EXPENSES	54,641,265	50,349,882	690,166	810,386	55,331,431	51,160,268
INCREASE (DECREASE) IN NET POSITION	\$ (844,500)	\$ 805,960	\$ 47,261	\$ (48,946)	\$ (797,239)	\$ 757,014

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2021

Total governmental activities expenses of \$54,641,265 include \$1,789,065 of depreciation expense and \$1,537,302 for pension expense related to GASB 68. Wages (\$22,221,816) and benefits (\$12,248,565) comprise 63.1 percent of the total governmental activity expenses. The variance in total revenues is a reflection of a 2.41 percent tax increase to pay for the additional expenses incurred during the 2020-2021 fiscal year. The District is experiencing growth especially with ESL students, and additional teaching and support positions were needed as well increased special education out-of-district placements. The decrease in net position is a result of the bond issue expenses occurring for the new high school project.

Total business-type activities (food services) expenses of \$690,166 include the costs necessary to operate the cafeterias in all schools. The District's practice is to operate food service activities on a break-even basis. Menu prices are established at the beginning of each fiscal year at a level that normally allows this activity to break even. Any excess revenue at year end was applied to operating losses in the past to bring the food service fund out of a deficit position. Additionally, the District allocates energy costs to the Food Service program. In future years, the Board may elect to transfer additional excess funds to the general fund in partial payment for indirect expenses, such as other utilities and cleaning costs.

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

Table A-3 shows the District's eight functions in governmental activities as well as each program's net cost (total cost less revenues generated by the activities). This table also shows the net costs offset by the other unrestricted grants, subsidies and contributions to show the remaining financial needs supported by local taxes and other miscellaneous revenues.

Table A-3
Governmental Activities
Fiscal Year Ended June 30, 2021

FUNCTIONS/PROGRAMS	Total Cost of Services		Net Cost of Services	
	2021	2020	2021	2020
Instruction	\$ 35,106,308	\$ 33,376,787	\$ 29,569,212	\$ 28,662,249
Instructional student support	4,131,304	3,807,223	3,643,700	3,371,386
Administrative	5,953,435	5,001,910	5,381,032	4,469,598
Operation and maintenance of plant	4,822,611	3,342,161	4,717,678	3,295,951
Pupil transportation	2,781,274	2,812,106	2,346,131	2,381,708
Student activities	687,791	722,085	573,109	651,503
Community services	92,109	120,985	24,506	(71,228)
Interest on long-term debt	1,066,433	1,166,625	815,855	811,497
Total Governmental Activities	\$ <u>54,641,265</u>	\$ <u>50,349,882</u>	47,071,223	43,572,664
Less: Unrestricted grants and subsidies			<u>2,312,479</u>	<u>2,312,486</u>
TOTAL NEEDS FROM LOCAL TAXES AND OTHER REVENUES			\$ <u>44,758,744</u>	\$ <u>41,260,178</u>

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2021

Unrestricted grants and subsidies of \$2,312,479 were available to reduce the cost of services of governmental activities to a net cost of \$44,758,744. Significant unrestricted grants and subsidies include the basic education subsidy (\$2,312,479).

Table A-4 reflects the activities of the Food Service program, the only business-type activity of the District.

Table A-4
Business-Type Activities
Fiscal Year Ended June 30, 2020

	Total Cost of Services		Change in Net Position	
	2021	2020	2021	2020
FUNCTIONS/PROGRAMS				
Food services	\$ 690,166	\$ 810,386	\$ 47,261	\$ (48,946)

The Statement of Revenues, Expenses and Changes in Net Position for this proprietary fund further details the actual results of operations.

THE DISTRICT FUNDS

At June 30, 2021, the District's governmental funds reported a combined fund balance of \$40,560,656 which is an increase from the prior year total of \$33,160,660. The primary reasons for this change are specific to two funds:

General Fund

The District budgeted for significant increases in staffing, health benefit costs and special education services, and actual results reflected expenditure increases less than was anticipated. These three cost areas are a challenge for the District in budgeting. Recent enrollment increases have exceeded annual estimates and have required more facilities and staff. The District has a younger teaching staff in the elementary school. More substitutes were used as a result of increasing professional staff development and a higher incidence of child-rearing leaves. As additional years of service are earned, additional absence leave is earned also, which increases the use of substitutes. The District health benefit premium costs have trended upward at least 15 percent annually. This cost area also can fluctuate annually based upon the health of the individual employees as well as the medical coverage elections they choose. Revenues during the year did not meet projections particularly as they related to delinquent taxes. The District received significantly more revenue and expenditures came below budget thereby increasing the General Fund balance by \$2,245,677. However, the Board of Directors approved to assign \$2,225,000 of fund balance for future debt service payments. The actual increase to unreserved balance is only \$20,682.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2021

Capital Projects Fund

The District does not fund unexpected capital projects, but does plan its capital projects several years in advance. In order to fund planned projects, the District borrows funds and also makes transfers from its available fund balance of the General Fund to this fund. The balance of this fund increased by \$30,914,979 due mainly to two new bond issues and one bond refunding that closed during the fiscal year. These funds will be spent down as the new high school project commences.

General Fund Budget

During the fiscal year, the Board authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District. All adjustments are again confirmed at the time the annual audit is accepted, which is after the end of the fiscal year and is not prohibited by state law. A schedule showing the District's original and final budget amounts compared with actual amounts is provided on page 23.

Table A-5
General Fund
Original Budget

	<u>2020-2021</u>	<u>2019-2020</u>
REVENUES		
Local revenue	\$ 41,604,487	\$ 40,454,558
State revenue	10,147,240	10,030,165
Federal revenue	<u>277,709</u>	<u>304,846</u>
Total Budgeted Revenue	<u>\$ 52,029,436</u>	<u>\$ 50,789,569</u>
EXPENDITURES		
Total instructional program expenditures	\$ 32,165,616	\$ 30,870,437
Total support services expenditures	14,878,232	14,783,723
Total noninstructional/community services	903,065	907,180
Total debt service/fund transfers	4,447,409	4,435,191
Budgetary reserve	<u>110,000</u>	<u>110,000</u>
Total Budgeted Expenditures	<u>\$ 52,504,322</u>	<u>\$ 51,106,531</u>

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2021

A comparison of the 2019-2020 and 2020-2021 revenue and expenditures budget is shown in Table A-5. On the revenue side of the budget, there was a 2.41 percent real estate tax increase. The Board adopted a 0.5 percent earned income tax and collections totaled \$2,212,718. Other revenue accounts have been adjusted based on recent history. On the expenditure side of the budget, there was a total expense increase of 2.70 percent. The District added \$242,000 to the budget for a projected increase of 13 new charter school tuition students. The Board allocated \$474,886 of fund balance to help offset this increase.

CAPITAL ASSETS

At June 30, 2021, the District had \$45,996,042 invested in a broad range of governmental capital assets, including land, buildings, furniture and equipment, and construction-in-progress. This amount represents a net decrease (including additions, deletions and depreciation) of (\$1,758,718) or (3.68) percent from last year. This was a result of decreases in the building and equipment category due to the fact that current year additions did not exceed current year depreciation.

Business-type activities assets were depreciated and \$1,997 of depreciation expense was recognized during the fiscal year. Total business-type capital assets were \$3,755 at June 30, 2021.

Table A-6
Capital Assets - Net of Depreciation

	<u>2021</u>	<u>2020</u>
Land	\$ 661,530	\$ 661,530
Buildings (includes construction-in-progress)	44,507,453	46,276,393
Furniture and equipment	827,059	816,837

DEBT ADMINISTRATION

As of July 1, 2020, the District had total outstanding bonded debt of \$26,180,000. During the year, the District made payments against principal, which resulted in debt being decreased by \$3,597,143. In addition, the District refunded bonds that decreased the outstanding debt by \$17,820,000. Lastly, the District issued two new bonds issues totaling \$46,725,000 resulting in ending outstanding debt as of June 30, 2021 of \$51,487,857. In addition, the District had \$453,239 outstanding in capital leases at year end.

The District's borrowing base is the average of its past three years of revenues. Its non-electoral debt limit is calculated by multiplying the borrowing base by 225 percent. As of June 30, 2021, the District's non-electoral debt limit was \$115,496,996. The District's net general obligation debt (general obligation debt reduced by future state subsidy reimbursements) was \$51,487,857. Its excess borrowing capacity as of June 30, 2021 was \$64,009,139.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2021

The Board approved the District's budget for fiscal year 2021-2022 on June 15, 2021. The District is allowed to update its borrowing base calculation to include the budgeted revenues for 2021-2022. Based upon the inclusion of the 2021-2022 revenue as part of the borrowing base calculation, the District's current excess borrowing capacity is \$66,343,513, which is further increased by any general obligation debt principal payments that are made during the 2021-2022 fiscal year.

Table A-7
Outstanding Debt

	<u>2021</u>	<u>2020</u>
General Obligation Notes/Bonds:		
Bonds	\$ 51,487,857	\$ 26,180,000
Lease	453,239	524,750

Other obligations include accrued vacation pay and sick leave for District employees and other post-employment benefits. More detailed information about the District's long-term liabilities is included in Notes E and F to the financial statements.

ECONOMIC FACTORS

The District's general obligation bond rating is a Standard & Poor's AA/Stable rating. The AA/Stable rating is based upon the additional security for bonds provided by the Commonwealth of Pennsylvania Act 150 School District Intercept Program. The Act provides for undistributed state aid to be diverted to bond holders in the event of default. The AA/Stable rating reflects the District's very strong wealth and income indications as well as the expectation that the District will continue to maintain strong fund balance levels.

The District appoints a Board member liaison who meets with officials from its Township municipality to review the actions of the various planning boards and to share information about pending and approved building and occupancy permits. The municipality provides the District with estimates of future residential and commercial construction in the District, particularly when large-scale land development groups are being considered. The build-out forecast of the remaining vacant ground within the District is also reviewed in order to better project future assessment base growth.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact Mark McGuinn, Business Manager, at Lower Moreland Township School District, 2551 Murray Avenue, Huntingdon Valley, Pennsylvania 19006, (215) 938-0270.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2021

	Governmental Activities	Business-Type Activities	Totals	
			2021	2020
ASSETS				
Cash and cash equivalents	\$ 35,975,747	\$ 56,194	\$ 36,031,941	\$ 5,543,347
Restricted cash	938,540	-	938,540	-
Investments	8,435,426	131,061	8,566,487	7,069,983
Taxes receivable, net	582,429	-	582,429	1,131,858
Due from other governments	607,673	140,783	748,456	447,412
Inventories	-	7,567	7,567	6,212
Capital assets				
Land	661,530	-	661,530	661,530
Buildings and building improvements	70,811,321	-	70,811,321	70,811,321
Machinery and equipment	4,171,970	398,077	4,570,047	4,539,700
Accumulated depreciation	(29,648,779)	(394,322)	(30,043,101)	(28,252,039)
TOTAL ASSETS	<u>92,535,857</u>	<u>339,360</u>	<u>92,875,217</u>	<u>61,959,324</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on refunding	690,873	-	690,873	1,083,123
Deferred outflows of resources, pension activity	13,258,000	-	13,258,000	9,674,000
Deferred outflows of resources, OPEB activity	931,921	-	931,921	456,442
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>14,880,794</u>	<u>-</u>	<u>14,880,794</u>	<u>11,213,565</u>
LIABILITIES				
Accounts payable	526,807	52,661	579,468	648,653
Accrued salaries and benefits	4,904,253	-	4,904,253	4,778,752
Unearned revenue	8,794	61,851	70,645	72,975
Other current liabilities	79,525	-	79,525	78,178
Accrued interest	109,024	-	109,024	254,997
Long-term liabilities				
Portion due or payable within one year				
Bonds and note payable	4,185,816	-	4,185,816	3,597,143
Compensated absences payable	19,899	-	19,899	19,168
Capital leases payable	216,895	-	216,895	267,956
Portion due or payable after one year				
Bonds and note payable	52,691,058	-	52,691,058	23,442,009
Capital leases payable	236,344	-	236,344	175,859
Compensated absences	717,091	-	717,091	690,750
Net pension liability	75,533,000	-	75,533,000	69,846,000
Net OPEB liability	5,703,460	-	5,703,460	4,988,803
TOTAL LIABILITIES	<u>144,931,966</u>	<u>114,512</u>	<u>145,046,478</u>	<u>108,861,243</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources, pension activity	1,810,000	-	1,810,000	2,541,000
Deferred inflows of resources, OPEB activity	714,277	-	714,277	788,151
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,524,277</u>	<u>-</u>	<u>2,524,277</u>	<u>3,329,151</u>
NET POSITION				
Net investment in capital assets	22,780,995	3,755	22,784,750	28,697,161
Unrestricted	(62,820,587)	221,093	(62,599,494)	(67,714,666)
TOTAL NET POSITION	<u>\$ (40,039,592)</u>	<u>\$ 224,848</u>	<u>\$ (39,814,744)</u>	<u>\$ (39,017,505)</u>

See accompanying notes to the basic financial statements.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
Instruction	\$ 35,106,308	\$ 2,172	\$ 5,534,924	\$ -
Instructional student support	4,131,304	-	487,604	-
Administrative and financial support services	5,953,435	-	572,403	-
Operation and maintenance of plant services	4,822,611	-	104,933	-
Pupil transportation	2,781,274	-	435,143	-
Student activities	687,791	47,091	67,591	-
Community services	92,109	33,441	34,162	-
Interest on long-term debt	1,066,433	-	250,578	-
TOTAL GOVERNMENTAL ACTIVITIES	54,641,265	82,704	7,487,338	-
BUSINESS-TYPE ACTIVITIES				
Food service	690,166	112,111	625,038	-
TOTAL SCHOOL DISTRICT ACTIVITIES	\$ 55,331,431	\$ 194,815	\$ 8,112,376	\$ -

GENERAL REVENUES

Taxes

Property taxes, levied for general purposes

Taxes levied for specific purposes

Grants and contributions not restricted to specific programs

Investment earnings

Contributions

Miscellaneous

TRANSFERS

TOTAL GENERAL REVENUES

CHANGE IN NET POSITION

NET POSITION AT BEGINNING OF YEAR, restated*

NET POSITION AT END OF YEAR

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-Type Activities	Totals	
		2021	2020
\$ (29,569,212)	\$ -	\$ (29,569,212)	\$ (28,662,249)
(3,643,700)	-	(3,643,700)	(3,371,386)
(5,381,032)	-	(5,381,032)	(4,469,598)
(4,717,678)	-	(4,717,678)	(3,295,951)
(2,346,131)	-	(2,346,131)	(2,381,708)
(573,109)	-	(573,109)	(651,503)
(24,506)	-	(24,506)	71,228
(815,855)	-	(815,855)	(811,497)
(47,071,223)	-	(47,071,223)	(43,572,664)
-	46,983	46,983	(56,711)
(47,071,223)	46,983	(47,024,240)	(43,629,375)
39,686,699	-	39,686,699	37,866,979
3,804,552	-	3,804,552	3,418,729
2,312,479	-	2,312,479	2,312,486
373,910	-	373,910	670,852
46,630	-	46,630	73,820
2,731	-	2,731	43,523
(278)	278	-	-
46,226,723	278	46,227,001	44,386,389
(844,500)	47,261	(797,239)	757,014
* (39,195,092)	177,587	(39,017,505)	* (39,774,519)
\$ (40,039,592)	\$ 224,848	\$ (39,814,744)	\$ (39,017,505)

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

	General Fund	Capital Projects Fund	Total	
			2021	2020
ASSETS				
Cash and cash equivalents	\$ 3,490,094	\$ 32,485,653	\$ 35,975,747	\$ 5,472,521
Restricted cash	-	938,540	938,540	-
Investments	8,435,426	-	8,435,426	6,892,676
Taxes receivable, net	582,429	-	582,429	1,131,858
Due from other governments	607,673	-	607,673	438,094
TOTAL ASSETS	\$ 13,115,622	\$ 33,424,193	\$ 46,539,815	\$ 13,935,149
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 526,807	\$ -	\$ 526,807	\$ 628,038
Other current liabilities	79,525	-	79,525	78,178
Accrued salaries and benefits	4,904,253	-	4,904,253	4,778,752
Unearned revenue	8,791	-	8,791	1,762
TOTAL LIABILITIES	5,519,376	-	5,519,376	5,486,730
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues, property taxes	459,783	-	459,783	1,048,423
FUND BALANCES				
Restricted to capital projects	-	33,424,193	33,424,193	2,509,215
Committed				
Self funded insurance	1,400,000	-	1,400,000	1,750,000
Compensatory education	250,000	-	250,000	-
Assigned				
PSERS rate increases	900,000	-	900,000	1,000,000
Debt service	2,225,000	-	2,225,000	-
Unassigned	2,361,463	-	2,361,463	2,140,781
TOTAL FUND BALANCES	7,136,463	33,424,193	40,560,656	7,399,996
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 13,115,622	\$ 33,424,193	\$ 46,539,815	\$ 13,935,149

See accompanying notes to the basic financial statements.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2021

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 40,560,656
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. These assets consist of:</p>	
Land	661,530
Buildings	70,811,321
Furniture and equipment	4,171,970
Accumulated depreciation	(29,648,779)
<p>Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:</p>	
Unamortized bond premiums and discounts	(5,389,017)
Other post employment benefits	(5,703,460)
Capital lease payable	(453,239)
Bonds payable in future years	(51,487,857)
Pension liability	(75,533,000)
Accumulated compensated absences	(736,990)
Accrued interest	(109,024)
<p>Refunded debt resulted in deferred charges which will be amortized over the life of new debt but do not represent current rights.</p>	690,873
<p>Deferred inflows and outflows related to pension and OPEB activities are not financial resources and therefore not reported on the governmental funds.</p>	11,665,641
<p>Some of the School District's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.</p>	<u>459,783</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u><u>(40,039,592)</u></u>

See accompanying notes to the basic financial statements.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021

	General Fund	Capital Projects Fund	Total	
			2021	2020
REVENUES				
Local sources	\$ 42,723,192	\$ 1,890	\$ 42,725,082	\$ 40,092,676
State sources	10,045,500	-	10,045,500	9,818,830
Federal sources	1,249,215	-	1,249,215	591,198
TOTAL REVENUES	54,017,907	1,890	54,019,797	50,502,704
EXPENDITURES				
Instruction	32,135,973	-	32,135,973	30,891,092
Support services	14,344,307	728,471	15,072,778	13,731,014
Operation of non-instructional services	761,174	-	761,174	832,159
Facilities acquisition, construction and improvement services	-	2,281,812	2,281,812	959,334
Debt service	4,908,890	-	4,908,890	4,727,089
TOTAL EXPENDITURES	52,150,344	3,010,283	55,160,627	51,140,688
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	1,867,563	(3,008,393)	(1,140,830)	(637,984)
OTHER FINANCING SOURCES (USES)				
Proceeds from bonds issued	-	31,145,000	31,145,000	-
Proceeds from refunding bonds issued	-	15,580,000	15,580,000	-
Proceeds from capital leases	378,396	-	378,396	185,081
Premium on bonds issued	-	2,653,132	2,653,132	-
Premium on refunding bonds issued	-	2,523,090	2,523,090	-
Payments to refunding bond agent	-	(17,977,850)	(17,977,850)	-
Transfers in	-	-	-	200,000
Transfers out	(278)	-	(278)	(207,765)
TOTAL OTHER FINANCING SOURCES (USES)	378,118	33,923,372	34,301,490	177,316
NET CHANGE IN FUND BALANCES				
	2,245,681	30,914,979	33,160,660	(460,668)
FUND BALANCES AT BEGINNING OF YEAR, restated*	* 4,890,782	2,509,214	7,399,996	* 7,860,664
FUND BALANCES AT END OF YEAR	\$ 7,136,463	\$ 33,424,193	\$ 40,560,656	\$ 7,399,996

See accompanying notes to the basic financial statements.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 33,160,660
Capital outlays are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation (\$1,789,065) exceeds capital outlays (\$30,347) in the current period.	(1,758,718)
Because some property taxes will not be collected for several months after the School District's fiscal year ends, they are not considered as "available" revenues in the Governmental Funds. Deferred tax revenues increased by this amount this year.	(588,639)
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in Governmental Funds:	
Compensated absences not reflected in Governmental Funds	(27,072)
Changes in net pension plan liability and related deferrals	(1,372,000)
Accrued interest not reflected in Governmental Funds	(269,630)
Changes in net OPEB liability and related deferrals	(165,302)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to Governmental Funds, while the repayment of the principal of long-term debt consumes the current financial resources of Governmental Funds. Neither transaction, however, has any effect on net position. Also, Governmental Funds report the effect of issuance costs, premiums, discounts and similar items when debt is first 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.	<u>(29,823,799)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (844,500)</u>

See accompanying notes to the basic financial statements.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 41,604,487	\$ 41,604,487	\$ 42,723,192	\$ 1,118,705
State sources	10,147,240	10,147,240	10,045,500	(101,740)
Federal sources	277,709	277,709	1,249,215	971,506
TOTAL REVENUES	<u>52,029,436</u>	<u>52,029,436</u>	<u>54,017,907</u>	<u>1,988,471</u>
EXPENDITURES				
Instruction	32,165,616	32,175,616	32,135,977	39,639
Support services	14,878,232	14,514,171	14,344,307	169,864
Operation of non-instructional services	903,065	903,065	761,174	141,891
Debt Service	4,447,409	4,911,470	4,908,890	2,580
Budgetary reserve	110,000	-	-	-
TOTAL EXPENDITURES	<u>52,504,322</u>	<u>52,504,322</u>	<u>52,150,348</u>	<u>353,974</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(474,886)</u>	<u>(474,886)</u>	<u>1,867,559</u>	<u>2,342,445</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(278)	(278)
Proceeds from capital leases	-	-	378,396	378,396
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>378,118</u>	<u>378,118</u>
NET CHANGE IN FUND BALANCE	(474,886)	(474,886)	2,245,677	\$ <u>2,720,563</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>4,890,782</u>	<u>4,890,782</u>	<u>4,890,782</u>	
FUND BALANCE AT END OF YEAR	<u>\$ 4,415,896</u>	<u>\$ 4,415,896</u>	<u>\$ 7,136,459</u>	

See accompanying notes to the basic financial statements

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2021

	Enterprise Fund	
	Food Service Fund	
	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 56,194	\$ 70,826
Investments	131,061	177,307
Other receivables	140,783	9,318
Inventories	7,567	6,212
TOTAL CURRENT ASSETS	<u>335,605</u>	<u>263,663</u>
CAPITAL ASSETS		
Machinery and equipment	398,077	398,077
Accumulated depreciation	(394,322)	(392,325)
TOTAL CAPITAL ASSETS	<u>3,755</u>	<u>5,752</u>
TOTAL ASSETS	<u>339,360</u>	<u>269,415</u>
CURRENT LIABILITIES		
Accounts payable	52,661	20,615
Unearned revenue, student balances	54,284	65,001
Unearned revenue, donated commodities	7,567	6,212
TOTAL CURRENT LIABILITIES	<u>114,512</u>	<u>91,828</u>
NET POSITION		
Net investment in capital assets	3,755	5,752
Unrestricted	<u>221,093</u>	<u>171,835</u>
TOTAL NET POSITION	<u>\$ 224,848</u>	<u>\$ 177,587</u>

See accompanying notes to the basic financial statements.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2021

	Enterprise Fund	
	Food Service Fund	
	2021	2020
OPERATING REVENUES		
Charges for services	\$ 112,111	\$ 595,370
OPERATING EXPENSES		
Purchased property services	25,120	28,799
Other purchased services	617,197	716,717
Supplies	45,852	40,496
Depreciation	1,997	24,374
TOTAL OPERATING EXPENSES	<u>690,166</u>	<u>810,386</u>
OPERATING LOSS	<u>(578,055)</u>	<u>(215,016)</u>
NONOPERATING REVENUES		
Interfund transfers	278	7,765
State sources	22,109	11,165
Federal sources	602,929	147,140
TOTAL NONOPERATING REVENUES	<u>625,316</u>	<u>166,070</u>
CHANGE IN NET POSITION	47,261	(48,946)
NET POSITION AT BEGINNING OF YEAR	<u>177,587</u>	<u>226,533</u>
NET POSITION AT END OF YEAR	<u>\$ 224,848</u>	<u>\$ 177,587</u>

See accompanying notes to the basic financial statements.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2021

	Enterprise Fund	
	Food Service Fund	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 101,394	\$ 615,150
Payments to suppliers	<u>(610,271)</u>	<u>(787,888)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(508,877)</u>	<u>(172,738)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State sources	17,249	11,688
Federal sources	430,472	104,825
Interfund transfers	278	7,765
Net (purchases) sales of investments	<u>46,246</u>	<u>75,815</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>494,245</u>	<u>200,093</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(14,632)	27,355
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>70,826</u>	<u>43,471</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 56,194</u></u>	<u><u>\$ 70,826</u></u>

See accompanying notes to the basic financial statements.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2021

	Enterprise Fund	
	Food Service Fund	
	2021	2020
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	\$ (578,055)	\$ (215,016)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation	1,997	24,374
Donated commodities	45,852	40,496
(Increase) decrease in Inventories	(1,355)	(3,045)
Increase (decrease) in Accounts payable	32,046	(42,372)
Deferred revenue	(9,362)	22,825
	<u>(508,877)</u>	<u>(172,738)</u>
NET CASH USED BY OPERATING ACTIVITIES	\$ <u>(508,877)</u>	\$ <u>(172,738)</u>
SUPPLEMENTAL DISCLOSURES		
Noncash activity		
Donated foods	\$ 45,852	\$ 40,496

See accompanying notes to the basic financial statements.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2021

	<u>Custodial Funds</u>	
	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 23,575	\$ 19,617
Investments	<u>59,746</u>	<u>49,263</u>
TOTAL ASSETS	<u>\$ 83,321</u>	<u>\$ 68,880</u>
NET POSITION		
Restricted for custodial purposes	<u>\$ 83,321</u>	<u>\$ 68,880</u>

See accompanying notes to the basic financial statements.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2021

	Custodial Funds	
	2021	2020
ADDITIONS		
Student activity income	\$ 49,465	\$ 38,321
DEDUCTIONS		
School sponsored activities	35,024	89,018
CHANGE IN NET POSITION	14,441	(50,697)
NET POSITION AT BEGINNING OF YEAR, restated*	* 68,880	* 119,577
NET POSITION AT END OF YEAR	\$ 83,321	\$ 68,880

See accompanying notes to the basic financial statements.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Lower Moreland Township School District (the "District") complies with generally accepted accounting principles ("GAAP"). GAAP includes all relevant Governmental Accounting Standards Board ("GASB") pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

Reporting Entity

Lower Moreland Township School District is organized under regulations contained in the School Code of the Commonwealth of Pennsylvania. The District operates under a locally elected Board form of government consisting of nine members elected to four-year terms. The District provides educational services in accordance with state and federal laws and regulations.

The District serves an area of approximately nine square miles in southeastern Montgomery County and includes Lower Moreland Township and a very small portion of Bryn Athyn Borough. The District has one elementary school, one middle school, and one high school, serving 2,394 students.

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 financial 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. This report presents the activities of Lower Moreland Township School District. The District is not a component unit of another reporting entity, nor does it have any component units.

Jointly-Governed Organization

The District is a participant in the Eastern Center for Arts and Technology. This organization provides vocational technical education to secondary students electing to participate in this curriculum. There are nine school districts participating in and funding the operations of this organization. Each district appoints one board member to represent its school district on the Eastern Center for Arts and Technology's operating board.

Basis of Presentation and Accounting

Government-Wide Financial Statements - The statement of net position 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 exclude fiduciary activities.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting as further defined under proprietary funds below. 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. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the entity-wide statements and the statements of governmental funds.

The government-wide statement of activities presents a comparison between expenses and program revenues for each different identifiable activity of the business-type activities of the District and for each governmental program. 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 program. 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 program is self-financing or draws from the general revenues of the District.

Internal activity is limited to interfund transfers which are eliminated to avoid "doubling up" revenues and expenses.

The entity-wide financial statements report net position 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 borrowings attributable to acquiring, constructing, or improving those assets. Net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), granters, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Those restrictions affect net position arising from the capital projects fund. Unrestricted net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted."

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental and enterprise 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 represented by fund type.

Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories governmental, proprietary and fiduciary.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

General Fund - 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.

Capital Projects Fund - The Capital Projects Fund is used to account for the acquisition, construction, and renovation of major capital facilities.

Revenue Recognition

In applying the susceptible to accrual concept under the modified accrual basis, certain revenue sources are deemed both measurable and available (i.e., collectible within the current year or within 60 days from year end and available to pay obligations of the current period). This includes property taxes, interest earnings, real estate transfer taxes, earned income taxes, and certain fees for services. Revenues for state and federally funded projects are recognized at the time the expenditures are made or when received in advance.

Other revenues including certain other charges for services and miscellaneous revenues, are recorded as revenue when received in cash because they generally are not measurable until actually received.

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, principal and interest on general long-term debt which has not matured, as well as expenditures related to compensated absences, are recognized when payment is due. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Fund

Proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are financed primarily by user charges. The economic resource measurement 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 does not attempt to allocate all "building-wide costs" to the enterprise fund. Thus, general fund expenditures which partially benefit the enterprise fund (utilities, janitorial services, insurance, etc.) are not proportionately recognized with the enterprise fund. Similarly, the enterprise fund does not recognize a cost for the building space it occupies.

Food Service Fund - The District's only proprietary fund is the Food Service fund, which is a major enterprise fund. This fund accounts for the revenues and costs of feeding students; it distinguishes 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 fund's principal ongoing operations. The principal operating revenues of this fund are food service charges. Operating expenses for this fund include food production costs, supplies, and administrative costs. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary Funds

Fiduciary funds are restricted to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and other funds.

Custodial Funds - The District has one custodial fund, which accounts for funds held on behalf of students of the District.

Cash and Cash Equivalents

The School District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition and no restrictions on withdrawal.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Statutes authorize the School District to invest in: 1) obligations, participations and other instruments of any Federal agency, 2) repurchase agreements with respect to U.S. Treasury bills or obligations, 3) negotiable certificates of deposit, 4) bankers' acceptances, 5) commercial paper, 6) shares of an investment company registered under the Investment Company Act of 1940 whose shares are registered under the Securities Act of 1933, and 7) savings or demand deposits. The specific conditions under which the District may invest in these categories are detailed in Pennsylvania Act No. 53 of 1973, as amended by Pennsylvania Act No. 10 of 2016.

Pennsylvania Local Government Investment Trust Funds are invested in accordance with Section 440.1 of the School Code. Each school district owns a pro rata share of each investment or deposit which is held in the name of the fund.

Under Act No. 72, enacted by the General Assembly of the Commonwealth of Pennsylvania, the funds deposited with the various banks are permitted to be secured on a pooled basis with all other public funds which the banking institution has on deposit. These may be bonds of the United States, any state of the United States, or bonds of any political subdivision of Pennsylvania or the general state authority or their authorities created by the General Assembly of the Commonwealth of Pennsylvania, or insured with the Federal Deposit Insurance Corporation. The market value of such bonds pledged must equal 120% of the funds deposited. The security pledged by the various depositories utilized during the year and at June 30, 2021, was in excess of the minimum requirements just described.

The School District has adopted GASB Statements No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, No. 72, Fair Value Measurement and Application and No. 79 Certain External Investment Pools and Pool Participants. In accordance with these Statements, investments in marketable securities with readily determinable fair value and all investments in debt securities are reported at their fair values. Investments in qualifying external investment pools are reported at amortized cost basis.

Property Taxes

Property taxes are assessed against individual properties based on property ownership as of July 1. Taxes are levied on July 1 and are payable in the following periods:

July 1 to August 31	Discount period, 2% of gross levy
September 1 to October 31	Face period
November 1 to collection	Penalty period, 10% of gross levy
January 15	Lien date

The District's taxes are billed and collected by the District-elected tax collector. The tax on real estate for public school purposes for fiscal 2020-2021 was 36.7205 mills (\$36.72 for \$1,000 of assessed valuation) for the entire District.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

All inventories are valued at the lower of cost (first-in, first-out method) or market. The costs for inventories of governmental activities are recorded as expenditures at the time individual inventory items are purchased.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental and business-type activities columns in the government-wide financial statements and the proprietary fund financial statements. 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 are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Site improvements	15-20
School buildings	40-60
Furniture and equipment	5-10

Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities, net of premiums and discounts, in the entity-wide financial statements and the proprietary fund financial statements. Bond premiums and discounts are deferred and amortized over the life of the bonds. Deferred amounts on refunding are 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.

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. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, generally are reported as debt service expenditures.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

The District's policies regarding vacation, personal, and sick time permit employees to accumulate earned but unused time. The liability for these compensated absences is recorded as long-term debt in the entity-wide financial statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District has three items that qualify for reporting in this category. The first item, the deferred outflow related to pension activity is reported in the government-wide statement of net position. The deferred outflow related to pension activity is the result of changes in the School District's proportionate share of the total plan from year to year, the difference between actual employer contributions and proportionate share of total contributions, difference between expected and actual experience, the actual contributions subsequent to the measurement date, and changes of assumptions. The second item, the deferred charges on refunding results from the difference in the carrying value of refunded debt and its reacquisition prices. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The third item is the deferred outflow related to OPEB activity, which is reported in the government wide statement of net position. The deferred outflow related to OPEB activity is the result of changes of actuarial assumptions and actual contributions subsequent to the measurement date, the difference between expected and actual experience, the net difference between projected and actual investment earnings, changes in assumptions and the changes in the School District's proportions.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has three items that qualify for reporting in this category. The first item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. The second item, deferred inflows related to pension activity, are reported in the government-wide statement of net position. The deferred inflow related to pension activity is the result of differences between projected and actual experience, the difference between expected and actual investment earnings and the changes in proportion. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The third item, deferred inflows related to OPEB activity, are reported in the government-wide statement of net position. The deferred inflow related to OPEB activity is the result of changes in actuarial assumptions, the difference between expected and actual experience and the difference between actual employer contributions and the proportionate share of total contributions. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Net Position Flow Assumption

Sometimes the School District will fund outlays for a particular purpose for both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and Proprietary Fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Use of Estimates

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

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance

The School District has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the School District's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- ***Nonspendable Fund Balance*** - Amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- ***Restricted Fund Balance*** - Amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government) through constitutional provisions or by enabling legislation.
- ***Committed Fund Balance*** - Amounts constrained to specific purposes by the School District itself, using its highest level of decision-making authority (the Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the School District takes the same highest level action to remove or change the constraint.
- ***Assigned Fund Balance*** - Amounts the School District intends to use for a specific purpose. Intent can be expressed by the Board of School Directors or by an official or body to which the Board of School Directors delegates the authority. The Board of School Directors has not delegated the authority to assign fund balance.
- ***Unassigned Fund Balance*** - Amounts available for any purpose. Positive amounts are reported only in the General Fund.

The Board of School Directors establishes (and modifies or rescinds) fund balance commitments by passage of a motion. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a commitment of the fund. Assigned fund balance is intended to be used by the School District for specific purposes but does not meet the criteria to be classified as restricted or committed.

The School District will typically use restricted fund balances first, followed by committed resources and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE B - CASH AND INVESTMENTS

Cash

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The District does not have a policy for custodial credit risk. At June 30, 2021, the carrying amount of the District's deposits was \$36,994,056, and the bank balance was \$37,209,454. Of the bank balance, \$250,000 was covered by federal depository insurance; \$37,333 was exposed to custodial credit risk because, in accordance with Act 72 of the Commonwealth of Pennsylvania, it was uninsured and the collateral held by the depository's agent was not in the District's name and the remaining District deposits totaling \$36,922,121 are in the Pennsylvania Local Government Investment Trust ("PLGIT") which is uncollateralized and uninsured.

Restricted Cash

Included in the cash balance at June 30, 2021 is \$938,540 of cash restricted for future interest payments on the current year bond issuance.

Investments

As of June 30, 2021, the School District held the following investments:

<u>Investment Type</u>	<u>Maturities</u>	<u>Amortized Cost</u>
State investment pools	Less than one year	\$ <u>8,626,233</u>

The School District's investments is in the PLGIT programs, of which are funds similar to mutual funds. GASB Statement No. 3, Paragraph 69, provides that certain types of cash and investments, such as cash investments in a State Treasurer's investment pool or mutual fund, cannot be assigned a credit risk category because the government does not own specific securities. Therefore, the PLGIT cash investments included in these statements will not be assigned a credit risk category. The carrying amount of these investments at June 30, 2021, is \$8,626,234. These assets maintain a stable net asset value of \$1 per share.

Investments held with qualifying external state investment pools bank balances are valued at amortized cost in accordance with GASB Statement No. 79. The School District had \$8,626,234 invested in a PLGIT/Reserve-Class account which requires a minimum investment of \$50,000, a one day minimum investment period, and limits redemptions or exchanges to two per calendar month.

Fair Value Measurement

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are those that lack significant observable inputs. The School District did not have any recurring fair value measurements as of June 30, 2021.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE C - INTERFUND TRANSFERS

The composition of interfund transfers for the year ended June 30, 2021 is as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Food Service Fund	General Fund	\$ <u>278</u>

The amount between the General Fund and Food Service Fund is for reimbursement for amounts paid by the Food Service Fund.

NOTE D - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021, was as follows:

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2021</u>
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 661,530	\$ -	\$ -	\$ 661,530
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>661,530</u>	<u>-</u>	<u>-</u>	<u>661,530</u>
Capital assets being depreciated				
Buildings and building improvements	70,811,321	-	-	70,811,321
Machinery and equipment	4,141,623	30,347	-	4,171,970
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>74,952,944</u>	<u>30,347</u>	<u>-</u>	<u>74,983,291</u>
Accumulated depreciation				
Buildings and building improvements	(24,534,928)	(1,768,940)	-	(26,303,868)
Machinery and equipment	(3,324,786)	(20,125)	-	(3,344,911)
TOTAL ACCUMULATED DEPRECIATION	<u>(27,859,714)</u>	<u>(1,789,065)</u>	<u>-</u>	<u>(29,648,779)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>47,093,230</u>	<u>(1,758,718)</u>	<u>-</u>	<u>45,334,512</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	<u>47,754,760</u>	<u>(1,758,718)</u>	<u>-</u>	<u>45,996,042</u>
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated				
Furniture and equipment	398,077	-	-	398,077
Accumulated depreciation	(392,325)	(1,997)	-	(394,322)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	<u>5,752</u>	<u>(1,997)</u>	<u>-</u>	<u>3,755</u>
CAPITAL ASSETS, net	<u>\$ 47,760,512</u>	<u>\$ (1,760,715)</u>	<u>\$ -</u>	<u>\$ 45,999,797</u>

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE D - CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental and business-type functions as follows:

GOVERNMENTAL ACTIVITIES		
Instruction		\$ 1,769,066
Instructional student support		19,701
Administrative and financial support services		40
Operation and maintenance of plant services		250
Pupil transportation		8
		<u>1,789,065</u>
BUSINESS-TYPE ACTIVITIES		
Food service		<u>1,997</u>

NOTE E - GENERAL LONG-TERM DEBT

The following summarizes the changes in long-term debt for the year ended June 30, 2021:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021	Amount Due in One Year
Bonds payable	\$ 26,180,000	\$ 46,725,000	\$ (21,417,143)	\$ 51,487,857	\$ 3,582,143
Premiums on bonds	860,883	5,176,221	(646,864)	5,390,240	603,673
Discounts on bonds	(1,731)	-	508	(1,223)	-
Capital lease payable	443,817	378,396	(368,974)	453,239	216,895
Accumulated compensated absences	709,918	27,072	-	736,990	19,899
Net pension liability	69,846,000	5,687,000	-	75,533,000	-
Net OPEB liability	4,988,803	714,657	-	5,703,460	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 103,027,690</u>	<u>\$ 58,708,346</u>	<u>\$ (22,432,473)</u>	<u>\$ 139,303,563</u>	<u>\$ 4,422,610</u>

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE E - GENERAL LONG-TERM DEBT (Continued)

Bonds payable at June 30, 2021 consisted of:

In 2011, the District issued \$1,000,000 in general obligation notes to finance the renovations of six science labs. The interest rate is 5.426%. The notes mature through September 2026.	\$ 822,857
In 2014, the District issued \$5,405,000 in general obligation bonds to currently refund \$5,820,000 of general obligation bonds, Series of 2009 and 2009A. The interest rate varies from 3.0% to 5.0%. The bonds mature through February 2023. This Bond was fully refunded with the proceeds of the General Obligation Series B of 2021 and has no balance remaining at June 30, 2021.	-
In 2014, the District issued \$7,120,000 in general obligation bonds to finance capital projects in the District. The interest rate varies from 2.0% to 4.0%. The bonds mature through February 2025. This Bond was fully refunded with the proceeds of the General Obligation Series B of 2021 and has no balance remaining at June 30, 2021.	-
In 2015, the District issued \$9,220,000 in general obligation bonds to currently refund \$9,940,000 of general obligation bonds, Series of 2009 AA and 2010. The interest rate varies from 2.0% to 5.0%. The bonds mature through February 2022.	805,000
In 2016, the District issued \$9,500,000 in general obligation bonds to currently refund \$9,015,000 of general obligation bonds, Series of 2009. The interest rate varies from 0.4% to 2.125%. The bonds mature through November 2028. This Bond was fully refunded with the proceeds of the General Obligation Series B of 2021 and has no balance remaining at June 30, 2021.	-
In 2016, the District issued \$8,355,000 in general obligation bonds to currently refund \$8,625,000 of general obligation bonds, Series of 2009 and to finance capital projects in the District. The interest rate varies from .55% to 5.00%. The bonds mature through August 2023.	<u>3,135,000</u>
SUBTOTAL FORWARD	\$ <u>4,762,857</u>

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE E - GENERAL LONG-TERM DEBT (Continued)

SUBTOTAL FORWARDED	\$	4,762,857
<p>In 2020, the District issued \$9,135,000 in general obligation bonds to finance capital projects in the District. The interest rate varies from 3.00% to 5.00%. The bonds mature through November 2050.</p>		
		9,135,000
<p>In 2021, the District issued \$22,010,000 in general obligation bonds to finance capital projects in the District. The interest rate varies from 3.00% to 5.00%. The bonds mature through November 2050.</p>		
		22,010,000
<p>In 2021, the District issued \$15,580,000 in general obligation bonds to currently refund the outstanding principal of General Obligations Series 2014, 2014A, and 2016. The interest rate varies from 3.00% to 5.00%. The bonds mature through August 2023. The refunding resulted in an economic gain of \$1,005,944 and a cash flow savings of \$1,041,536.</p>		
		<u>15,580,000</u>
	\$	<u>51,487,857</u>
<p>Bonds payable is comprised of the following:</p>		
Bonds payable, at face	\$	51,487,857
Unamortized discount		(1,223)
Unamortized premium		<u>5,390,240</u>
BONDS PAYABLE, NET	\$	<u>56,876,874</u>
<p>Amounts due in one year</p>		
	\$	3,582,143
Amounts due after one year		<u>53,294,731</u>
BONDS PAYABLE, NET	\$	<u>56,876,874</u>

Payments of long-term debt for bonds and capital leases payable are to be funded by the general fund, while long-term debt for compensated absences is paid out of the fund from which the liability was incurred.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE E - GENERAL LONG-TERM DEBT (Continued)

Presented below is a summary of debt service requirements to maturity by years:

Year Ending June 30,	Principal Maturities	Interest Maturities	Total Maturities
2022	\$ 3,582,143	\$ 2,124,198	\$ 5,706,341
2023	3,277,143	2,085,291	5,362,434
2024	3,362,143	1,890,004	5,252,147
2025	3,462,143	1,627,279	5,089,422
2026	1,622,143	1,409,929	3,032,072
2027 to 2031	7,127,142	5,224,889	12,352,031
2032 to 2036	5,720,000	3,939,600	9,659,600
2037 to 2041	6,645,000	3,013,875	9,658,875
2042 to 2046	7,720,000	1,938,450	9,658,450
2047 to 2051	8,970,000	688,800	9,658,800
	<u>\$ 51,487,857</u>	<u>\$ 23,942,315</u>	<u>\$ 75,430,172</u>

NOTE F - CAPITAL LEASES

The District has entered into lease agreements as lessee for financing the acquisition of computer equipment for the Lower Moreland High School and Murray Avenue Middle School. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception date.

The assets acquired do not meet the District's capitalization requirements and are therefore not recorded as capital assets by the District.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2021 are as follows:

Year Ending June 30,	
2022	\$ 216,895
2023	139,729
2024	96,615
TOTAL MINIMUM LEASE PAYMENTS	<u>453,239</u>
Less: Amount representing interest	<u>(36,163)</u>
PRESENT VALUE OF MINIMUM LEASE PAYMENTS	<u>\$ 417,076</u>

Total expenditures under these leases amounted to \$388,293 during the fiscal year ended June 30, 2021.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE G - FUND BALANCES

As of June 30, 2021, fund balances are composed of the following:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Restricted			
Capital projects	\$ -	\$ 33,424,193	\$ 33,424,193
Committed			
Self funded insurance	1,400,000	-	1,400,000
Compensatory education	250,000		
Assigned			
PSERS rate increases	900,000	-	900,000
Debt service	2,225,000	-	2,225,000
Unassigned	<u>2,361,463</u>	<u>-</u>	<u>2,361,463</u>
TOTAL FUND BALANCES	\$ <u>7,136,463</u>	\$ <u>33,424,193</u>	\$ <u>40,310,656</u>

NOTE H - DEFERRED INFLOWS OF RESOURCES AND UNEARNED REVENUE

General Fund

Real estate taxes collected within 60 days of the close of the fiscal year are recorded as current revenues. The noncurrent portion of real estate taxes receivable is recorded as deferred inflows of resources until such time as it becomes available.

At June 30, 2021, deferred inflows of resources for unavailable revenues related to property taxes consisted of delinquent taxes receivable of \$459,783.

Food Service Fund

Unearned revenue in the Food Service Fund represents the carryover of unused donated foods of \$7,567 and prepaid balances on student meal accounts of \$54,284.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE I - PENSION PLAN

Summary of Significant Accounting Policies

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

General Information About the Pension Plan

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

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

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE I - PENSION PLAN (Continued)

Benefits are generally equal to 2% or 2.5%, depending on membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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

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

Contributions

Members Contributions

- Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.
- Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.
- Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with services rendered on or after January 1, 2002.
- Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and the Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE I - PENSION PLAN (Continued)

Employer Contributions

The School District's contractually required contribution rate for the fiscal year ended June 30, 2021, was 33.51% of covered payroll, actuarially determined as an amount that, when combined with employee contributions is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the plan from the School District were \$7,466,000 for the year ended June 30, 2021.

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

At June 30, 2021, the School District reported a liability of \$75,533,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2019 to June 30, 2020. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2021, the School District's proportion was .01534% which was an increase of 0.0041% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2021, the School District recognized pension expense of \$8,838,000. At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 198,000	\$ 1,810,000
Changes in assumptions	-	-
Net difference between projected and actual investment earnings	3,320,000	-
Changes in proportions	2,107,000	-
Difference between employer contributions and proportionate share of total contributions	167,000	-
Contributions subsequent to the measurement date	<u>7,466,000</u>	<u>-</u>
	<u>\$ 13,258,000</u>	<u>\$ 1,810,000</u>

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE I - PENSION PLAN (Continued)

\$7,466,000 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the new 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:

<u>Year Ending</u> <u>June 30,</u>	
2022	\$ 677,000
2023	863,000
2024	1,463,000
2025	<u>979,000</u>
	<u>\$ 3,982,000</u>

Actuarial Assumptions

The total pension liability at June 30, 2020 was determined by rolling forward the System's total pension liability at June 30, 2019 to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

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

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE I - PENSION PLAN (Continued)

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 weighting 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	15.0%	5.2%
Private Equity	15.0%	7.2%
Fixed income	36.0%	1.1%
Commodities	8.0%	1.8%
Absolute return	10.0%	2.5%
Risk parity	8.0%	3.3%
Infrastructure/MLPs	6.0%	5.7%
Real estate	10.0%	5.5%
Cash	6.0%	-1.0%
Financing (LIBOR)	-14.0%	-0.7%
	<u>100.0%</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, 2020.

Discount Rate - The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the 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 plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE I - PENSION PLAN (Continued)

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
School District's proportionate share of the net pension liability	\$ <u>93,450,000</u>	\$ <u>75,533,000</u>	\$ <u>60,354,000</u>

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

NOTE J - CONTINGENCIES

The District participates in both state and federally assisted grant programs. These programs are subject to program compliance audits by the granters or their representatives. The District is potentially liable for any expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

NOTE K - RISK MANAGEMENT

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. There were no significant reductions in insurance coverage for the 2020-2021 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE L - OPERATING LEASES

Lower Moreland Township School District, in the normal course of business, leases certain office equipment. Lease expense for the year ended June 30, 2021 was \$60,981.

Future liabilities in accordance with the terms of these noncancelable leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 61,214
2023	47,734
2024	6,066
2025	<u>540</u>
	<u>\$ 115,554</u>

NOTE M - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS—SINGLE EMPLOYER PLAN

Plan Description

The District's healthcare plan is a single-employer defined benefit healthcare plan. The plan provides medical insurance benefits to eligible retirees and their spouses. The Board of School Directors has the authority to establish and amend benefit provisions through the collective bargaining process with members of the professional and support staff, an agreement with administrative employees, and individual employment contracts with certain employees. The plan does not issue any financial report and is not included in the report of any public employee retirement system or any other entity.

Funding Policy

The contribution requirements of plan members are established and may be amended by the Board of School Directors. The required contribution is based on projected pay-as-you-go financing requirements, with any additional amount to prefund as determined annually by the Board.

Plan Membership - At June 30, 2021, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	5
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	<u>227</u>
	<u>232</u>

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE M - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS—SINGLE EMPLOYER PLAN
(Continued)

Funding Policy and Funding Status

The plan is an unfunded plan with no assets accumulated in a trust. Contributions to the plan are equal to benefit payments. For the year ending June 30, 2021 benefit payments paid as they came due were \$45,840.

Benefits Provided

The School District currently provides medical and prescription drug coverage to the Superintendent at 100% of premium until age 65. The School District also provides medical, prescription drug, and dental coverage for all administrators and teachers at the completion of 20 years of service with the School District and 30 years of service with PSERS. The District pays the premiums up to a lifetime maximum of \$20,000. After the lifetime maximum is reached, the member must pay the full premium. Spouses are automatically included in the plan. This coverage is available until the member is eligible for Medicare. If a member passes away, the spouse can continue benefits until the member would have been eligible for Medicare.

Under Act 110/43, any support staff, administrators, and teachers who are eligible (age 60 with 30 years of service, age 62 with one year of service, or 35 years of service regardless of age) are allowed to continue coverage for themselves and their dependents until the member reaches Medicare age. The retiree is responsible for payment equal to the premium determined for the purposes of COBRA.

Assumptions

The following assumptions and actuarial methods and calculation were used:

Interest Rate - 1.86%, based on S&P Municipal Bond 20 Year High Grade Rate Index at July 1, 2020.

Salary - An assumption for salary increases is used only for spreading contributions over future pay under the entry age normal cost method. For this purpose, salary increases are composed of a 2.5% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies from 2.75% to 0%.

Health Care Cost Trend Rate - 5.5% in 2020 through 2023. Rates gradually decrease from 5.4% in 2024 to 4.0% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2021

**NOTE M - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS—SINGLE EMPLOYER PLAN
(Continued)**

Withdrawal - Rates of withdrawal vary by age, gender and years of service. Sample rates for employees with more than 10 years of service are shown below. Rates for new employees start at 22.9% for both men and women and decrease with age and service.

<u>Age</u>	<u>Male Rate</u>	<u>Female Rate</u>	<u>Age</u>	<u>Male Rate</u>	<u>Female Rate</u>
25	2.57%	5.02%	45	1.37%	1.65%
30	2.57%	4.02%	50	1.92%	2.06%
35	1.50%	2.85%	55	3.38%	3.11%
40	1.34%	1.60%	60	5.57%	6.40%

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.

Disability - No disability was assumed.

Retirement - Assumed retirement rates are based on PSERS plan experience and vary by age, service and gender.

Percent of Eligible Retirees Electing Coverage in Plan - 55% of Teachers and Administrators and 10% of the Support Staff are assumed to elect coverage. Spouses who are not receiving subsidized benefits are assumed to cease coverage upon attainment of age 65.

Percent Married at Retirement - 40% of employees are assumed to be married and have a spouse covered by the plan at retirement.

Spouse Age - Wives are assumed to be two years younger than their husbands.

Retiree Contributions - Retiree Contributions are assumed to increase at the same rate as the Health Care Cost Trend Rate.

Actuarial Value of Assets - Equal to the Market Value of Assets.

Actuarial Cost Method - Entry Age Normal - Under the Entry Age Normal Cost Method, the Normal Cost is the present value of benefits allocated to the year following the valuation date. Benefits are allocated on a level basis over the earnings of an individual between the date of hire and the assumed retirement age. The Accrued Liability as of the valuation date is the excess of the present value of future benefits over the present value of future Normal Cost. The Unfunded Accrued Liability is the excess of the Accrued Liability over the Actuarial Value of Assets. Actuarial gains and losses serve to reduce or increase the Unfunded Accrued Liability.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE M - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS—SINGLE EMPLOYER PLAN
(Continued)

Participant Data - Based on census information as of July 2020.

Changes in Assumptions - In the 2020 actuarial valuation, the discount rate changed from 3.36% to 1.86%.

Changes in the Total OPEB Liability

	<u>Total Pension Liability</u>
Balance at June 30, 2020	\$ <u>1,813,803</u>
Changes for the year	
Service cost	136,441
Interest cost	64,694
Changes of benefit terms	70,421
Changes for experience	86,893
Changes in assumptions	265,048
Benefit payments	<u>(45,840)</u>
Net changes	<u>577,657</u>
Balance at June 30, 2021	\$ <u><u>2,391,460</u></u>

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

The following presents the total OPEB liability of the School, as well as what the School's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (0.86 percent) or 1-percentage-point higher (2.86 percent) than the current discount rate:

	1% Decrease <u>0.86%</u>	Current Discount Rate <u>1.86%</u>	1% Increase <u>2.86%</u>
Total OPEB liability	\$ <u><u>2,570,102</u></u>	\$ <u><u>2,391,460</u></u>	\$ <u><u>2,219,243</u></u>

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE M - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS—SINGLE EMPLOYER PLAN
(Continued)

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

The following presents the total OPEB liability of the School, as well as what the School's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

	<u>1% Decrease</u>	<u>Current Rates</u>	<u>1% Increase</u>
Total OPEB liability	\$ <u>2,139,331</u>	\$ <u>2,391,460</u>	\$ <u>2,693,163</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - For the year ended June 30, 2021, the School recognized OPEB expense of \$244,028. At June 30, 2021, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 268,097	\$ 292,890
Difference between expected and actual experience	81,100	345,387
Contributions subsequent to the measurement date	<u>87,724</u>	<u>-</u>
	<u>\$ 436,921</u>	<u>\$ 638,277</u>

\$87,724 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the new 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:

<u>Year Ending June 30,</u>	
2022	\$ (27,528)
2023	(27,528)
2024	(27,528)
2025	(27,528)
2026	(27,528)
Thereafter	<u>(151,440)</u>
	<u>\$ (289,080)</u>

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE N - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS-PSERS

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

General Information about the Health Insurance Premium Assistance Program

Health Insurance Premium Assistance Program

The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2020, there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

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

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

Pension Plan Description

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

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE N - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS–PSERS (Continued)

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, 2020 there were no assumed future benefit increases to participating eligible retirees.

Contributions

The school districts’ contractually required contribution rate for the fiscal year ended June 30, 2021 was 0.82% 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 \$188,000 for the year ended June 30, 2021.

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

At June 30, 2021, the District reported a liability of \$3,312,000 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 the System’s total OPEB liability as of June 30, 2019 to June 30, 2020. 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, 2021, the District’s proportion was 0.1533% percent, which was an increase of 0.0040% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2021, the District recognized OPEB expense of \$197,000. At June 30, 2021, 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	\$ 30,000	\$ -
Changes in assumptions	135,000	73,000
Net difference between projected and actual investment earnings	6,000	-
Changes in proportions	132,000	-
Difference between employer contributions and proportionate share of total contributions	4,000	3,000
Contributions subsequent to the measurement date	<u>188,000</u>	<u>-</u>
	<u>\$ 495,000</u>	<u>\$ 76,000</u>

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE N - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS–PSERS (Continued)

\$188,000 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:

<u>Year Ending June 30,</u>	
2022	\$ 40,000
2023	39,000
2024	38,000
2025	56,000
2026	36,000
Thereafter	<u>22,000</u>
	<u>\$ 231,000</u>

Actuarial Assumptions

The Total OPEB Liability as of June 30, 2020, was determined by rolling forward the System’s Total OPEB Liability as of June 30, 2019 to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 2.66% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS’ experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- Participation rate:
 Eligible retirees will elect to participate Pre age 65 at 50%
 Eligible retirees will elect to participate Post age 65 at 70%

In the 2020 actuarial valuation, the discount rate changed from 2.79% to 2.66%.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE N - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS–PSERS (Continued)

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2018 determined the employer contribution rate for fiscal year 2020.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS’ experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	50.3%	-1.00%
US core fixed income	46.5%	-0.1%
Non-US developed fixed	<u>3.2%</u>	-0.1%
	<u><u>100.0%</u></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, 2020.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE N - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS–PSERS (Continued)

Discount Rate

The discount rate used to measure the Total OPEB Liability was 2.66%. Under the plan’s funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan’s fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a “pay-as-you-go” plan. A discount rate of 2.66% which represents the S&P 20 year Municipal Bond Rate at June 30, 2020, was applied to all projected benefit payments to measure the total OPEB liability.

Sensitivity of the Net OPEB Sensitivity to Change in Healthcare Cost Trend Rates

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2020, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2020, 93,693 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2020, 688 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the net OPEB liability for June 30, 2020, calculated using current Healthcare cost trends as well as what the net OPEB liability would be if its health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Net OPEB liability	\$ <u>3,312,000</u>	\$ <u>3,312,000</u>	\$ <u>3,313,000</u>

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE N - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS–PSERS (Continued)

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

The following presents the School District’s proportionate share net OPEB liability, calculated using the discount rate of 2.66%, as well as what the School District’s proportionate share net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.66%) or 1-percentage-point higher (3.66%) than the current rate:

	1% Decrease 1.66%	Current Discount Rate 2.66%	1% Increase 3.66%
District’s proportionate share of the net OPEB liability	\$ <u>3,777,000</u>	\$ <u>3,312,000</u>	\$ <u>2,928,000</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 the System’s website at www.psers.pa.gov.

NOTE O - PRIOR PERIOD RESTATEMENT

The District implemented GASB Statement No. 84, *Fiduciary Activities*. The objective of GASB Statement No. 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported.

For government-wide governmental activities, the District has treated the beginning of year net position of \$(40,005,796) as having been recognized in the period incurred. At June 30, 2020, the District has adjusted beginning net position for their governmental activities from \$(40,074,034) to \$(40,005,796). At June 30, 2021, the District has adjusted beginning net position for their governmental activities from \$(39,268,073) to \$(39,195,092). These changes were made to reflect the addition of funds that no longer qualify as fiduciary activities.

For the general fund, the District has treated beginning of year fund balance of \$4,630,250 as having been recognized in the period incurred. At June 30, 2020, the District has adjusted beginning fund balance for their general fund activities from \$4,562,012 to \$4,630,250. At June 30, 2021, The District has adjusted beginning fund balance for their general fund activities from \$4,817,801 to \$4,890,782. These changes were made to reflect the addition of funds that no longer qualify as fiduciary activities.

For fiduciary fund custodial activities, the District has treated the beginning of year net position of \$119,577 as having been recognized in the period incurred. At June 30, 2020, the District has adjusted beginning of year net position for their fiduciary activities from \$0 to \$119,577. At June 30, 2021, the District has adjusted beginning of year net position for their fiduciary activities from \$0 to \$68,880. These changes were made to reflect the transactions discussed above and to reclassify previously recognized liabilities to net position.

REQUIRED SUPPLEMENTARY INFORMATION

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE
SHARE OF THE PSERS NET PENSION LIABILITY
LAST SEVEN FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
School District's proportion of the net pension liability (asset)	<u>0.1534%</u>	<u>0.1493%</u>	<u>0.1486%</u>	<u>0.1461%</u>	<u>0.1441%</u>	<u>0.1444%</u>	<u>0.1441%</u>
School District's proportionate share of the net pension liability (asset)	<u>\$ 75,533,000</u>	<u>\$ 69,846,000</u>	<u>\$ 71,335,000</u>	<u>\$ 72,156,000</u>	<u>\$ 71,411,000</u>	<u>\$ 62,548,000</u>	<u>\$ 57,036,000</u>
School District's covered payroll	<u>\$ 21,978,417</u>	<u>\$ 20,593,921</u>	<u>\$ 20,007,014</u>	<u>\$ 19,456,077</u>	<u>\$ 18,656,759</u>	<u>\$ 18,573,290</u>	<u>\$ 18,394,366</u>
School District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	<u>343.67%</u>	<u>339.16%</u>	<u>356.55%</u>	<u>370.87%</u>	<u>382.76%</u>	<u>336.76%</u>	<u>310.07%</u>
The plan's fiduciary net position as a percentage of the total pension liability	<u>54.32%</u>	<u>54.00%</u>	<u>54.00%</u>	<u>51.84%</u>	<u>50.14%</u>	<u>45.64%</u>	<u>57.24%</u>

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NOTES TO SCHEDULE
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The District's covered employee payroll noted above is as of the measurement date of the net pension liability (June 30, 2020, 2019, 2018, 2017, 2016, 2015, and 2014).

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF SCHOOL DISTRICT'S PSERS PENSION CONTRIBUTIONS
LAST SEVEN FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 7,466,000	\$ 7,332,000	\$ 6,698,000	\$ 6,304,000	\$ 5,618,000	\$ 4,603,000	\$ 3,738,000
Contributions in relation to the contractually required contribution	<u>7,466,000</u>	<u>7,332,000</u>	<u>6,698,000</u>	<u>6,304,000</u>	<u>5,618,000</u>	<u>4,603,000</u>	<u>3,738,000</u>
CONTRIBUTION (EXCESS) DEFICIENCY	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
School District's covered payroll	\$ <u>22,279,916</u>	\$ <u>21,978,417</u>	\$ <u>20,593,921</u>	\$ <u>20,007,014</u>	\$ <u>19,456,077</u>	\$ <u>18,656,759</u>	\$ <u>18,573,290</u>
Contributions as a percentage of covered payroll	<u>33.51%</u>	<u>33.36%</u>	<u>32.60%</u>	<u>31.74%</u>	<u>28.88%</u>	<u>24.67%</u>	<u>20.13%</u>

NOTE TO SCHEDULE

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE
SHARE OF THE PSERS NET OTHER POSTEMPLOYMENT BENEFIT
PLAN LIABILITY
LAST FOUR FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
School District's proportion of the net OPEB liability	<u>0.1533%</u>	<u>0.1493%</u>	<u>0.1486%</u>	<u>0.1461%</u>
School District's proportionate share of the net OPEB liability	<u>\$ 3,312,000</u>	<u>\$ 3,175,000</u>	<u>\$ 3,098,000</u>	<u>\$ 2,977,000</u>
School District's covered payroll	<u>\$ 21,978,417</u>	<u>\$ 20,593,921</u>	<u>\$ 20,007,014</u>	<u>\$ 19,456,077</u>
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	<u>15.07%</u>	<u>15.42%</u>	<u>15.48%</u>	<u>15.30%</u>
The plan's fiduciary net position as a percentage of the net OPEB liability	<u>5.69%</u>	<u>5.56%</u>	<u>5.56%</u>	<u>5.73%</u>

NOTES TO SCHEDULE

The District's covered employee payroll noted above is as of the measurement date of the net pension liability (June 30, 2020, 2019, 2018, and 2017).

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF THE SCHOOL DISTRICT'S PSERS OTHER POSTEMPLOYMENT
BENEFIT PLAN CONTRIBUTIONS
LAST FOUR FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 188,000	\$ 185,000	\$ 171,000	\$ 165,000
Contributions in relation to the contractually required contribution	<u>188,000</u>	<u>185,000</u>	<u>171,000</u>	<u>165,000</u>
Contributions deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
School District's covered payroll	\$ <u>22,279,916</u>	\$ <u>21,978,417</u>	\$ <u>20,593,921</u>	\$ <u>20,007,014</u>
Contributions as a percentage of covered payroll	<u>0.84%</u>	<u>0.84%</u>	<u>0.83%</u>	<u>0.82%</u>

NOTE TO SCHEDULE

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE TOTAL OTHER POSTEMPLOYMENT
BENEFIT PLAN LIABILITY AND RELATED RATIOS
LAST FOUR FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
TOTAL OPEB LIABILITY				
Service cost	\$ 136,441	\$ 136,931	\$ 151,107	\$ 148,790
Interest	64,694	54,493	62,810	45,738
Changes of benefit terms	70,421	-	399,840	-
Difference between expected and actual experience	86,893	-	(431,733)	-
Changes of assumptions	265,048	(56,730)	(304,654)	28,251
Benefit payments	<u>(45,840)</u>	<u>(27,446)</u>	<u>(57,671)</u>	<u>(52,374)</u>
NET CHANGE IN TOTAL OPEB LIABILITY	577,657	107,248	(180,301)	170,405
TOTAL OPEB LIABILITY, BEGINNING	<u>1,813,803</u>	<u>1,706,555</u>	<u>1,886,856</u>	<u>1,716,451</u>
TOTAL OPEB LIABILITY, ENDING	<u>\$ 2,391,460</u>	<u>\$ 1,813,803</u>	<u>\$ 1,706,555</u>	<u>\$ 1,886,856</u>
COVERED PAYROLL	<u>\$ 20,897,255</u>	<u>\$ 19,653,168</u>	<u>\$ 19,653,168</u>	<u>\$ 18,194,738</u>
TOTAL OPEB LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	<u>11.44%</u>	<u>9.23%</u>	<u>8.68%</u>	<u>10.37%</u>

NOTES TO SCHEDULE

No assets are accumulated in a trust to pay benefits related to this plan.

assumption was updated. Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions.

Changes in assumptions: In the 2019 actuarial valuation, the discount rate changed from 2.98% to 3.36%. The trend assumption was updated. Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions.

assumption was updated. Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions.

assumption was updated. Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions.

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

Independent Auditors' 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

To the Board of School Directors
Lower Moreland Township School District
Huntingdon Valley, Pennsylvania

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Lower Moreland Township School District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Lower Moreland Township School District's basic financial statements, and have issued our report thereon dated December 1, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Lower Moreland Township 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 the Lower Moreland Township School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Lower Moreland Township 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of School Directors
Lower Moreland Township School District
Huntingdon Valley, Pennsylvania

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Lower Moreland Township 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.

Maillie LLP

Limerick, Pennsylvania
December 1, 2021

***Independent Auditors' Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance in Accordance With the Uniform Guidance***

To the Board of School Directors
Lower Moreland Township School District
Huntingdon Valley, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited the Lower Moreland Township School District compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Lower Moreland Township School District's major federal programs for the year ended June 30, 2021. Lower Moreland Township School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditors' Responsibility

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

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

To the Board of School Directors
Lower Moreland Township School District
Huntingdon Valley, Pennsylvania

Opinion on Each Major Federal Program

In our opinion, the Lower Moreland Township 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, 2021.

Report on Internal Control Over Compliance

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

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

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

Purpose of this Report

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.

Maillie LLP

Limerick, Pennsylvania
December 1, 2021

**SUPPLEMENTARY INFORMATION - MAJOR FEDERAL
AWARD PROGRAMS AUDIT**

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LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Source Code	Federal AL Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Dates
U.S. DEPARTMENT OF EDUCATION				
Passed through the Pennsylvania Department of Education				
Title I Grants to Local Education Agencies	I	84.010	013-200233	July 1, 2019 to September 30, 2020
Title I Grants to Local Education Agencies	I	84.010	013-210233	July 1, 2020 to September 30, 2021
TOTAL ALN 84.010 TITLE I GRANTS TO LOCAL EDUCATION AGENCIES				
Supporting Effective Instruction State Grants (Title II)	I	84.367	020-200233	July 1, 2019 to September 30, 2020
Supporting Effective Instruction State Grants (Title II)	I	84.367	020-210233	July 1, 2020 to September 30, 2021
TOTAL ALN 84.367 SUPPORTING EFFECTIVE INSTRUCTION STATE GRANTS (TITLE II)				
Language Instruction for English Learners and Immigrant Students (Title III)	I	84.365	010-200233	July 1, 2019 to September 30, 2020
Language Instruction for English Learners and Immigrant Students (Title III)	I	84.365	010-210233	July 1, 2020 to September 30, 2021
TOTAL ALN 84.365 LANGUAGE INSTRUCTION FOR ENGLISH LEARNERS AND IMMIGRANT STUDENTS (TITLE III)				
Student Support and Academic Enrichment Program (Title IV)	I	84.424	144-200233	July 1, 2019 to September 30, 2020
Student Support and Academic Enrichment Program (Title IV)	I	84.424	144-210233	July 1, 2020 to September 30, 2021
TOTAL ALN 84.424 STUDENT SUPPORT AND ACADEMIC ENRICHMENT PROGRAM (TITLE IV)				
American Rescue Plan (ESSER III)	I	84.425U	TDB-21-0233	March 3, 2020 September 30, 2024
Special Education COVID-19 Impact Mitigation Grant	I	84.425C	252-200233	July 1, 2020 to September 30, 2021
Education Stabilization Fund	I	84.425D	200-200233	March 3, 2020 September 30, 2021
TOTAL PASSED THROUGH PENNSYLVANIA DEPARTMENT OF EDUCATION				
Passed through the Pennsylvania Commission on Crime and Delinquency				
Education Stabilization Fund				
Elementary and Secondary School Emergency Relief Fund (ESSER)	I	84.425D	35221	July 1, 2020 to June 30, 2021
TOTAL ALN 84.425 EDUCATION STABILIZATION FUND				
Passed through the Montgomery County Intermediate Unit				
Special Education - Grants to States (IDEA, Part B)	I	84.027	062-20-0023	July 1, 2019 to June 30, 2020
Special Education - Grants to States (IDEA, Part B)	I	84.027	062-21-0023	July 1, 2020 to June 30, 2021
TOTAL ALN 84.027 SPECIAL EDUCATION - GRANTS TO STATES (IDEA, PART B)				
Special Education - Preschool Grants (IDEA Preschool)	I	84.173	062-20-0023	July 1, 2019 to June 30, 2020
Special Education - Preschool Grants (IDEA Preschool)	I	84.173	062-21-0023	July 1, 2020 to June 30, 2021
TOTAL ALN 84.173 SPECIAL EDUCATION - GRANTS TO STATES (IDEA PRESCHOOL)				
TOTAL PASSED THROUGH MONTGOMERY COUNTY INTERMEDIATE UNIT AND SPECIAL EDUCATION CLUSTER (IDEA)				
TOTAL U.S. DEPARTMENT OF EDUCATION				
U.S. DEPARTMENT OF THE TREASURY				
Passed through the Pennsylvania Commission on Crime and Delinquency				
Coronavirus Relief Fund	I	21.019	2020-CS-01-33398	March 1, 2020 to October 30, 2020
Passed through the Montgomery County Intermediate Unit				
Coronavirus Relief Fund	I	21.019	N/A	March 1, 2020 to December 30, 2020
TOTAL U.S. DEPARTMENT OF THE TREASURY				
TOTAL ALN 21.019 CORONAVIRUS RELIEF FUND				
TOTAL FEDERAL AWARDS FORWARD				

Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue at July 1, 2020	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue at June 30, 2021	Passed Through to Sub-Recipients
\$ 97,196	\$ 32,399	\$ 19,179	\$ 13,220	\$ 13,220	\$ -	\$ -
87,450	45,894	-	87,450	87,450	41,556	-
	78,293	19,179	100,670	100,670	41,556	-
35,318	6,938	3,693	3,245	3,245	-	-
36,669	29,056	-	36,669	36,669	7,613	-
	35,994	3,693	39,914	39,914	7,613	-
28,266	7,538	4,658	2,880	2,880	-	-
33,861	22,574	-	33,861	33,861	11,287	-
	30,112	4,658	36,741	36,741	11,287	-
10,000	3,077	(1,762)	4,839	4,839	-	-
10,000	4,000	-	10,000	10,000	6,000	-
	7,077	(1,762)	14,839	14,839	6,000	-
653,182	-	-	121,145	121,145	121,145	-
26,372	8,791	-	-	-	(8,791)	-
79,831	79,831	-	79,831	79,831	-	-
	240,098	25,768	393,140	393,140	178,810	-
68,533	67,437	-	68,533	68,533	1,096	-
	156,059	-	269,509	269,509	113,450	-
351,288	195,531	195,531	-	-	-	-
359,318	152,340	-	359,318	359,318	206,978	-
	347,871	195,531	359,318	359,318	206,978	-
1,134	1,134	1,134	-	-	-	-
2,046	2,046	-	2,046	2,046	-	-
	3,180	1,134	2,046	2,046	-	-
	351,051	196,665	361,364	361,364	206,978	-
	658,586	222,433	823,037	823,037	386,884	-
207,277	207,277	-	207,277	207,277	-	-
131,850	131,850	-	131,850	131,850	-	-
	339,127	-	339,127	339,127	-	-
	339,127	-	339,127	339,127	-	-
\$ 997,713	\$ 222,433	\$ 1,162,164	\$ 1,162,164	\$ 386,884	\$ -	\$ -

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Source Code	Federal AL Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Dates
TOTAL FEDERAL AWARDS FORWARDED				
U.S. Department of Homeland Security				
Passed through Pennsylvania Emergency Management Agency				
Disaster Grants - Public Assistance	I	97.036	N/A	July 1, 2020 to June 30, 2021
TOTAL U.S. Department of Homeland Security				
U.S. DEPARTMENT OF AGRICULTURE				
Passed through the Pennsylvania Department of Education				
School Breakfast Program (SBP)	I	10.553	N/A	July 1, 2019 to June 30, 2020
School Breakfast Program (SBP)	I	10.553	N/A	July 1, 2020 to June 30, 2021
TOTAL ALN 10.553 SCHOOL BREAKFAST PROGRAM				
National School Lunch Program (NSLP)	I	10.555	N/A	July 1, 2019 to June 30, 2020
National School Lunch Program (NSLP)	I	10.555	N/A	July 1, 2020 to June 30, 2021
Passed through the Pennsylvania Department of Agriculture				
National School Lunch Program (NSLP) - Donated foods	I	10.555	N/A	July 1, 2020 to June 30, 2021
TOTAL ALN 10.555 NATIONAL SCHOOL LUNCH PROGRAM				
TOTAL CHILD NUTRITION CLUSTER				
TOTAL U.S. DEPARTMENT OF AGRICULTURE				
TOTAL FEDERAL AWARDS				
Current State Grants				
Passed through the Pennsylvania Department of Education				
School Breakfast Program (SBP)	S	N/A	N/A	July 1, 2019 to June 30, 2020
School Breakfast Program (SBP)	S	N/A	N/A	July 1, 2020 to June 30, 2021
National School Lunch Program (NSLP)	S	N/A	N/A	July 1, 2019 to June 30, 2020
National School Lunch Program (NSLP)	S	N/A	N/A	July 1, 2020 to June 30, 2021
TOTAL PASSED THROUGH THE PENNSYLVANIA DEPARTMENT OF EDUCATION				
GRAND TOTAL FEDERAL AWARDS AND CURRENT STATE GRANTS				
I - Indirect Funding				
S - State Funding				

See accompanying notes to the schedule of expenditures of federal awards.

Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue at July 1, 2020	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue at June 30, 2021	Passed Through to Sub-Recipients
	\$ 997,713	\$ 222,433	\$ 1,162,164	\$ 1,162,164	\$ 386,884	\$ -
\$ 38,475	<u>38,475</u>	<u>-</u>	<u>38,475</u>	<u>38,475</u>	<u>-</u>	<u>-</u>
	<u>38,475</u>	<u>-</u>	<u>38,475</u>	<u>38,475</u>	<u>-</u>	<u>-</u>
N/A	2,944	2,944	-	-	-	-
N/A	<u>88,391</u>	<u>-</u>	<u>107,991</u>	<u>107,991</u>	<u>19,600</u>	<u>-</u>
	<u>91,335</u>	<u>2,944</u>	<u>107,991</u>	<u>107,991</u>	<u>19,600</u>	<u>-</u>
N/A	6,005	6,005	-	-	-	-
N/A	333,134	-	449,087	449,087	115,953	-
N/A	45,852	-	45,852	45,852	-	-
	<u>384,991</u>	<u>6,005</u>	<u>494,939</u>	<u>494,939</u>	<u>115,953</u>	<u>-</u>
	<u>476,326</u>	<u>8,949</u>	<u>602,930</u>	<u>602,930</u>	<u>135,553</u>	<u>-</u>
	<u>476,326</u>	<u>8,949</u>	<u>602,930</u>	<u>602,930</u>	<u>135,553</u>	<u>-</u>
	<u>1,512,514</u>	<u>231,382</u>	<u>1,803,569</u>	<u>1,803,569</u>	<u>522,437</u>	<u>-</u>
N/A	168	168	-	-	-	-
N/A	5,051	-	6,171	6,171	1,120	-
N/A	202	202	-	-	-	-
N/A	<u>11,827</u>	<u>-</u>	<u>15,938</u>	<u>15,938</u>	<u>4,111</u>	<u>-</u>
	<u>17,248</u>	<u>370</u>	<u>22,109</u>	<u>22,109</u>	<u>5,231</u>	<u>-</u>
\$	<u>1,529,762</u>	<u>231,752</u>	<u>1,825,678</u>	<u>1,825,678</u>	<u>527,668</u>	<u>-</u>

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021

NOTE A - BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, which is described in Note A to the School District's basic financial statements.

NOTE B - FEDERAL EXPENDITURES

The schedule of expenditures of federal awards reflects federal expenditures for all individual grants, which were active during the fiscal year.

NOTE C - DONATED FOODS

Donated foods were valued according to cost estimates provided by the U.S.D.A.

NOTE D - INDIRECT COST RATES

The School District has not elected to use the 10% de minimis indirect cost rate as allowed in the Uniform Guidance, Section 414.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: **Unmodified**

Internal control over financial reporting:

Significant deficiencies identified: **No**

Significant deficiencies identified that are considered to be material weaknesses: **No**

Noncompliance material to financial statements noted: **No**

Federal Awards

Internal control over major programs:

Significant deficiencies identified: **No**

Significant deficiencies identified that are considered to be material weaknesses: **No**

Type of auditors' report issued on compliance for major programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with the Uniform Grant Guidance: **No**

Identification of major programs:

Program	ALN
Child Nutrition Cluster	10.555 / 10.553
Coronavirus Relief Fund (COVID-19)	21.019

The threshold used for distinguishing Types A and B programs was \$750,000.

Auditee qualified as a low-risk auditee: **No**

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.