

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

Year Ended June 30, 2020

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 and the aggregate remaining fund information of the Lower Moreland Township School District as of and for the year ended June 30, 2020, 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. 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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note O, the spread of the COVID-19 coronavirus is affecting the United States and global economies and may have an impact on the Lower Moreland Township School District's operational and financial performance. At this point, the Lower Moreland Township School District cannot reasonably estimate the impact on its operations or financial results. Our opinion is not modified with respect to this matter.

Other Matters

Prior-Year Comparative Information

The financial statements include summarized prior-year comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2020, from which summarized information was derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 15, schedule of the school district's proportionate share of the PSERS net pension liability on page 61, schedule of the school district's PSERS pension contributions on page 62, schedule of the school district's proportionate share of the PSERS net other postemployment benefit plan liability on page 63, schedule of the school district's PSERS other postemployment benefit plan contributions on page 64, and schedule of changes in the total other postemployment benefit plan liability and related ratios on page 65 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.

Maillie LLP

Limerick, Pennsylvania
November 30, 2020

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2020

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, 2020. 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 2019-2020, 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 1.90 percent increase in taxes. In an attempt to lessen the tax burden, the Board elected to utilize \$317,000 in fund balance or savings to offset the tax increase. The actual results of operations showed that revenues were slightly less than expected and expenditures came below the budget figure due to COVID-19. Revenue factors denoting the slight increase include the larger than expected collection of real estate taxes and an increase in transfer taxes due to two new developments coming online. On the expenditure side, the District spent an amount approaching the budget. The District' budgeted expenditures were lower due to COVID-19 and the Board approved to commit \$250,000 of fund balance for future compensated education expenses. The District also transferred \$200,000 to its' Capital Projects Fund.

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, 2020

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

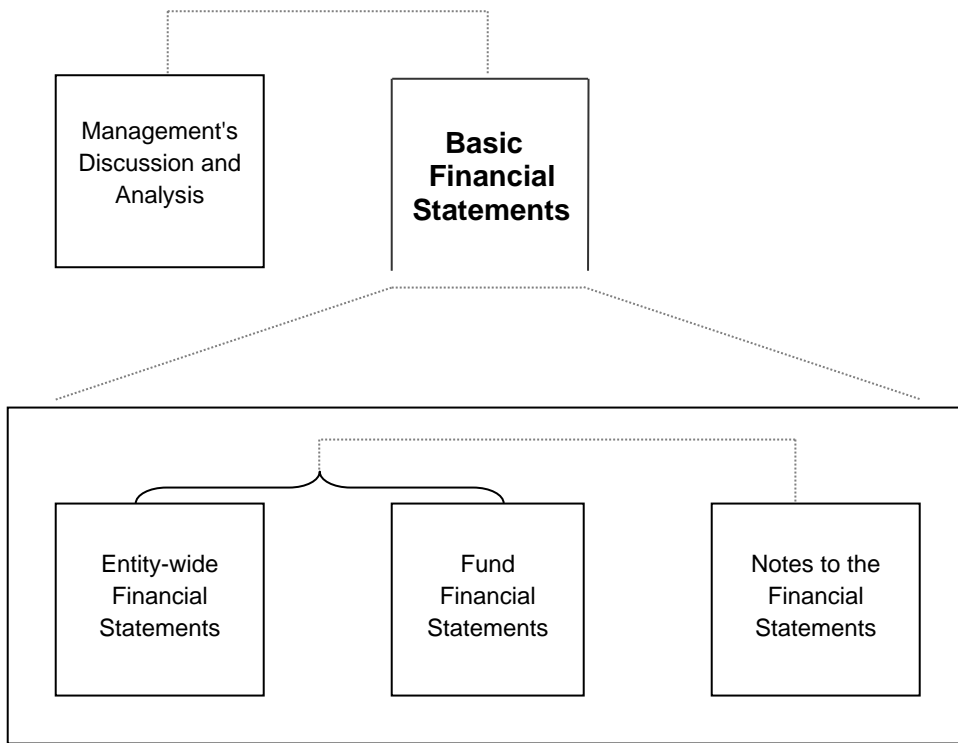


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District they cover and the types of information they contain. The remainder of this overview section of the MD&A explains the structure and contents of each of the statements.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2020

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, 2020

OVERVIEW OF FINANCIAL STATEMENTS

Entity-Wide Statements

The two entity-wide statements, which are on pages 16 and 17, 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 18, 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 scholarship and student activity funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position on pages 27 and 28. 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, 2020

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's total net position was (\$39,090,486) at June 30, 2020.

Table A-1
Net Position
As of June 30, 2020

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
ASSETS AND DEFERRED						
OUTFLOWS OF RESOURCES						
Current and other assets	\$ 13,862,168	\$ 13,563,322	\$ 263,663	\$ 307,782	\$ 14,125,831	\$ 13,871,104
Capital assets	47,754,760	49,595,221	5,752	30,126	47,760,512	49,625,347
Total Assets	<u>61,616,928</u>	<u>63,158,543</u>	<u>269,415</u>	<u>337,908</u>	<u>61,886,343</u>	<u>63,496,451</u>
Deferred charges on bond refund	1,083,123	1,354,777	-	-	1,083,123	1,354,777
Deferred charges on pensions	9,674,000	10,584,000	-	-	9,674,000	10,584,000
Deferred charges on OPEB	456,442	371,931	-	-	456,442	371,931
Total Deferred Outflows of Resources	<u>11,213,565</u>	<u>12,310,708</u>	<u>-</u>	<u>-</u>	<u>11,213,565</u>	<u>12,310,708</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>72,830,493</u>	<u>75,469,251</u>	<u>269,415</u>	<u>337,908</u>	<u>73,099,908</u>	<u>75,807,159</u>
LIABILITIES						
Current and other liabilities	9,625,994	9,112,924	91,828	111,375	9,717,822	9,224,299
Long-term liabilities	99,143,421	104,465,066	-	-	99,143,421	104,465,066
TOTAL LIABILITIES	<u>108,769,415</u>	<u>113,577,990</u>	<u>91,828</u>	<u>111,375</u>	<u>108,861,243</u>	<u>113,689,365</u>
DEFERRED INFLOWS-PENSIONS						
Pension Activities	2,541,000	1,158,000	-	-	2,541,000	1,158,000
OPEB Activities	788,151	807,295	-	-	788,151	807,295
Total Deferred Outflows of Resources	<u>3,329,151</u>	<u>1,965,295</u>	<u>-</u>	<u>-</u>	<u>3,329,151</u>	<u>1,965,295</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS-PENSIONS	<u>112,098,566</u>	<u>115,543,285</u>	<u>91,828</u>	<u>111,375</u>	<u>112,190,394</u>	<u>115,654,660</u>
NET ASSETS						
Net investment in capital assets	28,691,409	28,074,378	5,752	30,126	28,697,161	28,104,504
Unrestricted	(67,959,482)	(68,148,412)	171,835	196,407	(67,787,647)	(67,952,005)
TOTAL NET POSITION	<u>\$ (39,268,073)</u>	<u>\$ (40,074,034)</u>	<u>\$ 177,587</u>	<u>\$ 226,533</u>	<u>\$ (39,090,486)</u>	<u>\$ (39,847,501)</u>

Most of the District's assets are invested in capital assets (buildings, land and equipment). At June 30, 2020, the District has more of a net investment in capital assets balance than in the prior year. The change is attributed to the lower liability valuation of the pension liability. 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.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2020

The decrease in net position is a reflection a lower valuation of the long-term pension obligations.

The results of this year's operations as a whole are reported in the Statement of Activities on page 17. 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, 2020

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
REVENUES						
Program revenues:						
Charges for services	\$ 207,470	\$ 322,251	\$ 595,370	\$ 783,545	\$ 802,840	\$ 1,105,796
Operating grants and contributions	6,569,748	6,355,516	158,305	164,878	6,728,053	6,520,394
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	37,866,979	37,321,946	-	-	37,866,979	37,321,946
Other taxes	3,418,729	3,602,503	-	-	3,418,729	3,602,503
Grants, subsidies and contributions, unrestricted	2,312,486	2,234,152	-	-	2,312,486	2,234,152
Other (including transfers)	780,430	902,310	7,765	7,121	788,195	909,431
TOTAL REVENUES	51,155,842	50,738,678	761,440	955,544	51,917,282	51,694,222
EXPENSES						
Instruction	33,376,787	33,682,606	-	-	33,376,787	33,682,606
Instructional student support	3,807,223	3,820,945	-	-	3,807,223	3,820,945
Administrative and financial support	5,001,910	5,066,556	-	-	5,001,910	5,066,556
Operation and maintenance of plant	3,342,161	2,626,870	-	-	3,342,161	2,626,870
Pupil transportation	2,812,106	3,090,789	-	-	2,812,106	3,090,789
Student activities	722,085	752,328	-	-	722,085	752,328
Community services	120,985	107,307	-	-	120,985	107,307
Interest on long-term debt	1,166,625	1,356,690	-	-	1,166,625	1,356,690
Food services	-	-	810,386	988,076	810,386	988,076
TOTAL EXPENSES	50,349,882	50,504,091	810,386	988,076	51,160,268	51,492,167
INCREASE (DECREASE) IN NET POSITION	\$ 805,960	\$ 234,587	\$ (48,946)	\$ (32,532)	\$ 757,014	\$ 202,055

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2020

Total governmental activities expenses of \$50,349,882 include \$1,840,461 of depreciation expense and \$884,593 for pension expense related to GASB 68. Wages (\$22,135,184) and benefits (\$11,867,743) comprise 67.5 percent of the total governmental activity expenses. The variance in total revenues is a reflection of a 1.90 percent tax increase to pay for the additional expenses incurred during the 2019-2020 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 increase in net position is a result of the COVID-19 pandemic hitting and some expenses that were not incurred.

Total business-type activities (food services) expenses of \$810,386 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. During the 2006-2007 fiscal year, the District began to allocate 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, 2020

FUNCTIONS/PROGRAMS	Total Cost of Services		Net Cost of Services	
	2020	2019	2020	2019
Instruction	\$ 33,376,787	\$ 33,682,606	\$ 28,662,249	\$ 28,090,844
Instructional student support	3,807,223	3,820,945	3,371,386	3,766,582
Administrative	5,001,910	5,066,556	4,469,598	5,066,556
Operation and maintenance of plant	3,342,161	2,626,870	3,295,951	2,626,870
Pupil transportation	2,812,106	3,090,789	2,381,708	2,665,135
Student activities	722,085	752,328	651,503	719,584
Community services	120,985	107,307	(71,228)	(125,525)
Interest on long-term debt	<u>1,166,625</u>	<u>1,356,690</u>	<u>811,497</u>	<u>1,016,278</u>
Total Governmental Activities	\$ <u>50,349,882</u>	\$ <u>50,504,091</u>	43,572,664	43,826,324
Less: Unrestricted grants and subsidies			<u>2,312,486</u>	<u>2,234,152</u>
TOTAL NEEDS FROM LOCAL TAXES AND OTHER REVENUES			\$ <u>41,260,178</u>	\$ <u>41,592,172</u>

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2020

Unrestricted grants and subsidies of \$2,312,486 were available to reduce the cost of services of governmental activities to a net cost of \$41,260,178. Significant unrestricted grants and subsidies include the basic education subsidy (\$2,312,486).

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

FUNCTIONS/PROGRAMS	Total Cost of Services		Change in Net Position	
	2020	2019	2020	2019
Food services	\$ 810,386	\$ 988,076	\$ (48,946)	\$ (32,532)

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, 2020, the District’s governmental funds reported a combined fund balance of \$7,327,015 which is a decrease from the prior year total of \$7,787,683. 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 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 deficit revenues and expenditures came well below budget thereby increasing the General Fund balance by \$255,789. However, the Board of Directors approved to commit \$250,000 of fund balance for potential compensated education costs related to the COVID-19 pandemic. The actual increase to unreserved balance is actually only \$5,789.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2020

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 decreased (\$716,457) due mainly for architect and engineer expenses for a new high school project. Total expenditures for the fund were offset by a capital projects transfer but the overall activity in the fund resulted in a decrease for the year ending June 30, 2020.

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 22.

Table A-5
General Fund
Original Budget

	<u>2019-2020</u>	<u>2018-2019</u>
REVENUES		
Local revenue	\$ 40,454,558	\$ 39,587,742
State revenue	10,030,165	9,706,612
Federal revenue	<u>304,846</u>	<u>312,291</u>
Total Budgeted Revenue	<u>\$ 50,789,569</u>	<u>\$ 49,606,645</u>
EXPENDITURES		
Total instructional program expenditures	\$ 30,870,437	\$ 30,341,305
Total support services expenditures	14,783,723	14,378,940
Total noninstructional/community services	907,180	950,668
Total debt service/fund transfers	4,435,191	4,430,783
Budgetary reserve	<u>110,000</u>	<u>110,000</u>
Total Budgeted Expenditures	<u>\$ 51,106,531</u>	<u>\$ 50,211,696</u>

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2020

A comparison of the 2018-2019 and 2019-2020 revenue and expenditures budget is shown in Table A-5. On the revenue side of the budget, there was a 1.90 percent real estate tax increase. Starting July 1, 2004, the Board adopted a 0.5 percent earned income tax and collections totaled \$1,853,455. Other revenue accounts have been adjusted based on recent history. On the expenditure side of the budget, there was a total expense increase of 1.80 percent. The District added new positions in English Language Learning, and two (2) elementary teachers due to enrollment increases. The Board allocated \$317,000 of fund balance to help offset this increase.

CAPITAL ASSETS

At June 30, 2020, the District had \$47,754,762 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 (\$1,840,461) or (3.71) 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 \$24,374 of depreciation expense was recognized during the fiscal year. Total business-type capital assets were \$5,752 at June 30, 2020.

Table A-6
Capital Assets - Net of Depreciation

	<u>2020</u>	<u>2019</u>
Land	\$ 661,530	\$ 661,530
Buildings (includes construction-in-progress)	46,276,393	48,045,332
Furniture and equipment	816,837	888,359

DEBT ADMINISTRATION

As of July 1, 2019, the District had total outstanding bonded debt of \$29,680,000. During the year, the District made payments against principal, which resulted in debt being decreased by \$3,500,000 resulting in ending outstanding debt as of June 30, 2020 of \$26,180,000. In addition, the District had \$443,817 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, 2020, the District's non-electoral debt limit was \$111,192,237. The District's net general obligation debt (general obligation debt reduced by future state subsidy reimbursements) was \$26,180,000. Its excess borrowing capacity as of June 30, 2020 was \$85,012,237.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2020

The Board approved the District's budget for fiscal year 2020-2021 on June 16, 2020. The District is allowed to update its borrowing base calculation to include the budgeted revenues for 2020-2021. Based upon the inclusion of the 2020-2021 revenue as part of the borrowing base calculation, the District's current excess borrowing capacity is \$87,861,893, which is further increased by any general obligation debt principal payments that are made during the 2020-2021 fiscal year.

Table A-7
Outstanding Debt

	<u>2020</u>	<u>2019</u>
General Obligation Notes/Bonds:		
Bonds	\$ 26,180,000	\$ 29,680,000

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, 2020

	Governmental Activities	Business-Type Activities	Totals	
			2020	2019
ASSETS				
Cash and cash equivalents	\$ 5,399,540	\$ 70,826	\$ 5,470,366	\$ 4,166,759
Investments	6,892,676	177,307	7,069,983	8,247,259
Taxes receivable, net	1,131,858	-	1,131,858	886,559
Due from other governments	438,094	9,318	447,412	567,360
Inventories	-	6,212	6,212	3,167
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	4,141,623	398,077	4,539,700	4,539,700
Accumulated depreciation	(27,859,714)	(392,325)	(28,252,039)	(26,387,204)
TOTAL ASSETS	61,616,928	269,415	61,886,343	63,496,451
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on refunding	1,083,123	-	1,083,123	1,354,777
Deferred outflows of resources, pension activity	9,674,000	-	9,674,000	10,584,000
Deferred outflows of resources, OPEB activity	456,442	-	456,442	371,931
TOTAL DEFERRED OUTFLOWS OF RESOURCES	11,213,565	-	11,213,565	12,310,708
LIABILITIES				
Accounts payable	628,038	20,615	648,653	590,350
Accrued salaries and benefits	4,778,752	-	4,778,752	4,452,771
Unearned revenue	1,762	71,213	72,975	51,229
Other current liabilities	78,178	-	78,178	74,033
Accrued interest	254,997	-	254,997	321,608
Long-term liabilities				
Portion due or payable within one year				
Bonds and note payable	3,597,143	-	3,597,143	3,500,000
Compensated absences payable	19,168	-	19,168	17,963
Capital leases payable	267,956	-	267,956	216,345
Portion due or payable after one year				
Bonds and note payable	23,442,009	-	23,442,009	27,369,757
Capital leases payable	175,859	-	175,859	308,405
Compensated absences	690,750	-	690,750	647,349
Net pension liability	69,846,000	-	69,846,000	71,335,000
Net OPEB liability	4,988,803	-	4,988,803	4,804,555
TOTAL LIABILITIES	108,769,415	91,828	108,861,243	113,689,365
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources, pension activity	2,541,000	-	2,541,000	1,158,000
Deferred inflows of resources, OPEB activity	788,151	-	788,151	807,295
TOTAL DEFERRED INFLOWS OF RESOURCES	3,329,151	-	3,329,151	1,965,295
NET POSITION				
Net investment in capital assets	28,691,409	5,752	28,697,161	28,104,504
Unrestricted	(67,959,482)	171,835	(67,787,647)	(67,952,005)
TOTAL NET POSITION	\$ (39,268,073)	\$ 177,587	\$ (39,090,486)	\$ (39,847,501)

See accompanying notes to the basic financial statements.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
Instruction	\$ 33,376,787	\$ 22,664	\$ 4,691,874	\$ -
Instructional student support	3,807,223	-	435,837	-
Administrative and financial support services	5,001,910	-	532,312	-
Operation and maintenance of plant services	3,342,161	-	46,210	-
Pupil transportation	2,812,106	-	430,398	-
Student activities	722,085	5,132	65,450	-
Community services	120,985	179,674	12,539	-
Interest on long-term debt	1,166,625	-	355,128	-
TOTAL GOVERNMENTAL ACTIVITIES	50,349,882	207,470	6,569,748	-
BUSINESS-TYPE ACTIVITIES				
Food service	810,386	595,370	158,305	-
TOTAL SCHOOL DISTRICT ACTIVITIES	\$ 51,160,268	\$ 802,840	\$ 6,728,053	\$ -

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

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	
		2020	2019
\$ (28,662,249)	\$ -	\$ (28,662,249)	\$ (28,090,844)
(3,371,386)	-	(3,371,386)	(3,766,582)
(4,469,598)	-	(4,469,598)	(5,066,556)
(3,295,951)	-	(3,295,951)	(2,626,870)
(2,381,708)	-	(2,381,708)	(2,665,135)
(651,503)	-	(651,503)	(719,584)
71,228	-	71,228	125,525
(811,497)	-	(811,497)	(1,016,278)
(43,572,664)	-	(43,572,664)	(43,826,324)
-	(56,711)	(56,711)	(39,653)
(43,572,664)	(56,711)	(43,629,375)	(43,865,977)
37,866,979	-	37,866,979	37,321,946
3,418,729	-	3,418,729	3,602,503
2,312,486	-	2,312,486	2,234,152
670,852	-	670,852	788,641
73,820	-	73,820	60,910
43,523	-	43,523	59,880
(7,765)	7,765	-	-
44,378,624	7,765	44,386,389	44,068,032
805,960	(48,946)	757,014	202,055
(40,074,033)	226,533	(39,847,500)	(40,049,555)
\$ (39,268,073)	\$ 177,587	\$ (39,090,486)	\$ (39,847,500)

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

	General Fund	Capital Projects Fund	Total	
			2020	2019
ASSETS				
Cash and cash equivalents	\$ 2,745,899	\$ 2,653,641	\$ 5,399,540	\$ 4,123,288
Investments	6,892,676	-	6,892,676	7,994,137
Taxes receivable, net	1,131,858	-	1,131,858	886,559
Due from other governments	438,094	-	438,094	559,338
TOTAL ASSETS	\$ 11,208,527	\$ 2,653,641	\$ 13,862,168	\$ 13,563,322
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 483,611	\$ 144,427	\$ 628,038	\$ 527,363
Other current liabilities	78,178	-	78,178	74,033
Accrued salaries and benefits	4,778,752	-	4,778,752	4,452,771
Unearned revenue	1,762	-	1,762	2,839
TOTAL LIABILITIES	5,342,303	144,427	5,486,730	5,057,006
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues, property taxes	1,048,423	-	1,048,423	718,633
FUND BALANCES				
Restricted to capital projects	-	2,509,214	2,509,214	3,225,671
Committed				
Self funded insurance	1,750,000	-	1,750,000	1,500,000
Assigned				
PSERS rate increases	1,000,000	-	1,000,000	1,000,000
Unassigned	2,067,801	-	2,067,801	2,062,012
TOTAL FUND BALANCES	4,817,801	2,509,214	7,327,015	7,787,683
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 11,208,527	\$ 2,653,641	\$ 13,862,168	\$ 13,563,322

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, 2020

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 7,327,015
<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	4,141,623
Accumulated depreciation	(27,859,714)
<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	(859,152)
Other post employment benefits	(4,988,803)
Capital lease payable	(443,815)
Bonds payable in future years	(26,180,000)
Pension liability	(69,846,000)
Accumulated compensated absences	(709,918)
Accrued interest	(254,997)
<p>Refunded debt resulted in deferred charges which will be amortized over the life of new debt but do not represent current rights.</p>	1,083,123
<p>Deferred inflows and outflows related to pension and OPEB activities are not financial resources and therefore not reported on the governmental funds.</p>	6,801,291
<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>1,048,423</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (39,268,073)</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, 2020

	General Fund	Capital Projects Fund	Total	
			2020	2019
REVENUES				
Local sources	\$ 40,049,799	\$ 42,877	\$ 40,092,676	\$ 40,257,987
State sources	9,818,830	-	9,818,830	9,550,316
Federal sources	591,198	-	591,198	603,761
TOTAL REVENUES	<u>50,459,827</u>	<u>42,877</u>	<u>50,502,704</u>	<u>50,412,064</u>
EXPENDITURES				
Instruction	30,891,092	-	30,891,092	30,480,215
Support services	13,731,014	-	13,731,014	14,097,191
Operation of non-instructional services	832,159	-	832,159	839,429
Facilities acquisition, construction and improvement services	-	959,334	959,334	103,882
Debt service	4,727,089	-	4,727,089	4,703,698
TOTAL EXPENDITURES	<u>50,181,354</u>	<u>959,334</u>	<u>51,140,688</u>	<u>50,224,415</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>278,473</u>	<u>(916,457)</u>	<u>(637,984)</u>	<u>187,649</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from capital leases	185,081	-	185,081	351,155
Transfers in	-	200,000	200,000	500,000
Transfers out	(207,765)	-	(207,765)	(507,121)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(22,684)</u>	<u>200,000</u>	<u>177,316</u>	<u>344,034</u>
NET CHANGE IN FUND BALANCES	255,789	(716,457)	(460,668)	531,683
FUND BALANCES AT BEGINNING OF YEAR	<u>4,562,012</u>	<u>3,225,671</u>	<u>7,787,683</u>	<u>7,256,000</u>
FUND BALANCES AT END OF YEAR	<u>\$ 4,817,801</u>	<u>\$ 2,509,214</u>	<u>\$ 7,327,015</u>	<u>\$ 7,787,683</u>

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, 2020

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (460,668)
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 (\$1,840,461) exceeds capital outlays (\$0) in the current period.	(1,840,461)
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.	329,790
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	(44,606)
Changes in net pension plan liability and related deferrals	(804,000)
Accrued interest not reflected in Governmental Funds	66,612
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.	3,639,884
The net change in the liability and related deferrals for the net OPEB obligation is reported in the government-wide statements but not in the Governmental Funds statements.	<u>(80,591)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 805,960</u>

See accompanying notes to the basic financial statements.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 40,454,558	\$ 40,454,558	\$ 40,049,799	\$ (404,759)
State sources	10,030,165	10,030,165	9,818,830	(211,335)
Federal sources	304,846	304,846	591,198	286,352
TOTAL REVENUES	<u>50,789,569</u>	<u>50,789,569</u>	<u>50,459,827</u>	<u>(329,742)</u>
EXPENDITURES				
Instruction	30,870,437	30,980,437	30,891,092	89,345
Support services	14,783,723	14,286,442	13,731,014	555,428
Operation of non-instructional services	907,180	904,680	832,159	72,521
Debt Service	4,435,191	4,934,972	4,727,089	207,883
Budgetary reserve	110,000	-	-	-
TOTAL EXPENDITURES	<u>51,106,531</u>	<u>51,106,531</u>	<u>50,181,354</u>	<u>925,177</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES				
	<u>(316,962)</u>	<u>(316,962)</u>	<u>278,473</u>	<u>595,435</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(207,765)	(207,765)
Proceeds from capital leases	-	-	185,081	185,081
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>(22,684)</u>	<u>(22,684)</u>
NET CHANGE IN FUND BALANCE				
	(316,962)	(316,962)	255,789	\$ <u>572,751</u>
FUND BALANCE AT BEGINNING OF YEAR				
	<u>4,562,012</u>	<u>4,562,012</u>	<u>4,562,012</u>	
FUND BALANCE AT END OF YEAR				
	\$ <u>4,245,050</u>	\$ <u>4,245,050</u>	\$ <u>4,817,801</u>	

See accompanying note to the budgetary comparison schedule.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2020

	Enterprise Fund	
	Food Service Fund	
	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 70,826	\$ 43,471
Investments	177,307	253,122
Other receivables	9,318	8,022
Inventories	6,212	3,167
TOTAL CURRENT ASSETS	<u>263,663</u>	<u>307,782</u>
CAPITAL ASSETS		
Machinery and equipment	398,077	398,077
Accumulated depreciation	(392,325)	(367,951)
TOTAL CAPITAL ASSETS	<u>5,752</u>	<u>30,126</u>
TOTAL ASSETS	<u>269,415</u>	<u>337,908</u>
CURRENT LIABILITIES		
Accounts payable	20,615	62,987
Unearned revenue, student balances	65,001	45,221
Unearned revenue, donated commodities	6,212	3,167
TOTAL CURRENT LIABILITIES	<u>91,828</u>	<u>111,375</u>
NET POSITION		
Net investment in capital assets	5,752	30,126
Unrestricted	171,835	196,407
TOTAL NET POSITION	<u>\$ 177,587</u>	<u>\$ 226,533</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, 2020

	Enterprise Fund	
	Food Service Fund	
	2020	2019
OPERATING REVENUES		
Charges for services	\$ 595,370	\$ 783,545
OPERATING EXPENSES		
Purchased property services	28,799	34,128
Other purchased services	716,717	883,919
Supplies	40,496	38,727
Depreciation	24,374	31,302
TOTAL OPERATING EXPENSES	<u>810,386</u>	<u>988,076</u>
OPERATING LOSS	<u>(215,016)</u>	<u>(204,531)</u>
NONOPERATING REVENUES		
Interfund transfers	7,765	7,121
State sources	11,165	13,858
Federal sources	147,140	151,020
TOTAL NONOPERATING REVENUES	<u>166,070</u>	<u>171,999</u>
CHANGE IN NET POSITION	(48,946)	(32,532)
NET POSITION AT BEGINNING OF YEAR	<u>226,533</u>	<u>259,065</u>
NET POSITION AT END OF YEAR	<u>\$ 177,587</u>	<u>\$ 226,533</u>

See accompanying notes to the basic financial statements.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2020

	Enterprise Fund	
	Food Service Fund	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 615,150	\$ 789,113
Payments to suppliers	<u>(787,888)</u>	<u>(908,859)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(172,738)</u>	<u>(119,746)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State sources	11,688	15,168
Federal sources	104,825	125,381
Interfund transfers	7,765	7,121
Net (purchases) sales of investments	<u>75,815</u>	<u>(50,978)</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>200,093</u>	<u>96,692</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	27,355	(23,054)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>43,471</u>	<u>66,525</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 70,826</u></u>	<u><u>\$ 43,471</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, 2020

	Enterprise Fund	
	Food Service Fund	
	2020	2019
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	\$ (215,016)	\$ (204,531)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation	24,374	31,302
Donated commodities	40,496	38,727
(Increase) decrease in Inventories	(3,045)	1,769
Increase (decrease) in Accounts payable	(42,372)	9,188
Deferred revenue	22,825	3,799
	<u> </u>	<u> </u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (172,738)</u>	<u>\$ (119,746)</u>
SUPPLEMENTAL DISCLOSURES		
Noncash activity		
Donated foods	\$ 40,496	\$ 38,727

See accompanying notes to the basic financial statements.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2020

	<u>Private- Purpose Trust Funds</u>	<u>Agency Fund</u>
ASSETS		
Cash and cash equivalents	\$ 72,981	\$ 19,617
Investments	<u>-</u>	<u>49,263</u>
TOTAL ASSETS	72,981	<u><u>\$ 68,880</u></u>
LIABILITIES		
Accounts payable	<u>-</u>	<u><u>\$ 68,880</u></u>
NET POSITION		
Held in trust for benefits and other purposes	<u><u>\$ 72,981</u></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, 2020

	Private-Purpose Trust Funds	
	2020	2019
ADDITIONS		
Contributions	\$ 26,593	\$ 16,545
DEDUCTIONS		
Scholarships awarded	<u>21,850</u>	<u>30,300</u>
CHANGE IN NET POSITION	4,743	(13,755)
NET POSITION AT BEGINNING OF YEAR	<u>68,238</u>	<u>81,993</u>
NET POSITION AT END OF YEAR	<u>\$ 72,981</u>	<u>\$ 68,238</u>

See accompanying notes to the basic financial statements.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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 2,322 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, 2020

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, 2020

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, 2020

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.

Trust and Agency Funds - The District has one private-purpose fund that accounts for activities in various scholarship funds, whose sole purpose is to provide annual scholarships to particular students as prescribed by donor stipulations. In addition, the District has one agency fund, which accounts for funds held on behalf of students of the District. The agency fund is unlike all other types of funds, reporting only assets and liabilities. Therefore, this fund cannot be said to have a measurement focus. It does, however, use the accrual basis of accounting to recognize receivables and payables.

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, 2020

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, 2020, 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 2019-2020 was 35.8576 mills (\$35.86 for \$1,000 of assessed valuation) for the entire District.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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, 2020

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, 2020

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, 2020

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.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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, 2020, the carrying amount of the District's deposits was \$5,562,964, and the bank balance was \$6,521,185. Of the bank balance, \$250,000 was covered by federal depository insurance; \$101,027 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 \$6,170,158 are in the Pennsylvania Local Government Investment Trust ("PLGIT") which is uncollateralized and uninsured.

Investments

As of June 30, 2020, 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>7,119,245</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, 2020, is \$7,119,245. These assets maintain a stable net asset value of \$1 per share.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE B - CASH AND INVESTMENTS (Continued)

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 \$75,591 invested in PLGIT/Plus Class account which incurs a penalty if funds are withdrawn within 30 days of deposit. The School District had \$7,043,654 in PLGIT I-Class which 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, 2020.

NOTE C - INTERFUND TRANSFERS

The composition of interfund transfers for the year ended June 30, 2020 is as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Capital Projects Fund	General Fund	\$ 200,000
Food Service Fund	General Fund	7,765

The amount between the General Fund and Food Service Fund is for reimbursement for expenditures not covered by Food Service Fund revenue.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE D - CAPITAL ASSETS

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

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
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	-	-	4,141,623
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>74,952,944</u>	<u>-</u>	<u>-</u>	<u>74,952,944</u>
Accumulated depreciation				
Buildings and building improvements	(22,765,989)	(1,768,939)	-	(24,534,928)
Machinery and equipment	(3,253,264)	(71,522)	-	(3,324,786)
TOTAL ACCUMULATED DEPRECIATION	<u>(26,019,253)</u>	<u>(1,840,461)</u>	<u>-</u>	<u>(27,859,714)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>48,933,691</u>	<u>(1,840,461)</u>	<u>-</u>	<u>47,093,230</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	<u>49,595,221</u>	<u>(1,840,461)</u>	<u>-</u>	<u>47,754,760</u>
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated				
Furniture and equipment	398,077	-	-	398,077
Accumulated depreciation	(367,951)	(24,374)	-	(392,325)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	<u>30,126</u>	<u>(24,374)</u>	<u>-</u>	<u>5,752</u>
CAPITAL ASSETS, net	<u>\$ 49,625,347</u>	<u>\$ (1,864,835)</u>	<u>\$ -</u>	<u>\$ 47,760,512</u>
GOVERNMENTAL ACTIVITIES				
Instruction				\$ 1,769,389
Instructional student support				70,011
Administrative and financial support services				143
Operation and maintenance of plant services				887
Pupil transportation				31
				<u>\$ 1,840,461</u>
BUSINESS-TYPE ACTIVITIES				
Food service				<u>\$ 24,374</u>

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE E - GENERAL LONG-TERM DEBT

The following summarizes the changes in long-term debt for the year ended June 30, 2020:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020	Amount Due in One Year
Bonds payable	\$ 29,680,000	-	\$ (3,500,000)	\$ 26,180,000	\$ 3,597,143
Premiums on bonds	1,191,996	-	(331,113)	860,883	-
Discounts on bonds	(2,239)	-	508	(1,731)	-
Capital lease payable	524,750	185,081	(266,014)	443,817	267,958
Accumulated compensated absences	665,312	44,606	-	709,918	19,168
Net pension liability	71,335,000	-	(1,489,000)	69,846,000	-
Net OPEB liability	4,804,555	184,248	-	4,988,803	-
TOTAL GOVERNMENTAL ACTIVITIES	\$ 108,199,374	\$ 413,935	\$ (5,585,619)	\$ 103,027,690	\$ 3,884,269

General Obligation Bonds:

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. \$ 960,000

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. 3,010,000

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. 7,090,000

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. 1,600,000

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. 9,380,000

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. 4,140,000

TOTAL **\$ 26,180,000**

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE E - GENERAL LONG-TERM DEBT (Continued)

Bonds payable is comprised of the following:

Bonds payable, at face	\$ 26,180,000
Unamortized discount	(1,731)
Unamortized premium	<u>860,883</u>
BONDS PAYABLE, NET	\$ <u><u>27,039,152</u></u>

Amounts due in one year	\$ 3,597,143
Amounts due after one year	<u>23,442,009</u>
BONDS PAYABLE, NET	\$ <u><u>27,039,152</u></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.

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

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u> <u>Maturities</u>	<u>Interest</u> <u>Maturities</u>	<u>Total</u> <u>Maturities</u>
2021	\$ 3,597,143	\$ 750,266	\$ 4,347,409
2022	3,732,143	602,516	4,334,659
2023	3,827,143	478,741	4,305,884
2024	3,882,143	385,204	4,267,347
2025	3,912,143	275,854	4,187,997
2026 to 2029	<u>7,229,285</u>	<u>371,093</u>	<u>7,600,378</u>
	\$ <u><u>26,180,000</u></u>	\$ <u><u>2,863,674</u></u>	\$ <u><u>29,043,674</u></u>

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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, 2020 are as follows:

<u>Year Ending June 30,</u>		
2021	\$	287,275
2022		136,678
2023		<u>49,670</u>
TOTAL MINIMUM LEASE PAYMENTS		473,623
Less: Amount representing interest		<u>(29,806)</u>
PRESENT VALUE OF MINIMUM LEASE PAYMENTS	\$	<u><u>443,817</u></u>

Total expenditures under these leases amounted to \$287,275 during the fiscal year ended June 30, 2020.

NOTE G - FUND BALANCES

As of June 30, 2020, fund balances are composed of the following:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Restricted			
Capital projects	\$ -	\$ 2,509,214	\$ 2,509,214
Committed			
Self funded insurance	1,750,000	-	1,750,000
Assigned			
PSERS	1,000,000	-	1,000,000
Unassigned	<u>2,067,801</u>	<u>-</u>	<u>2,067,801</u>
TOTAL FUND BALANCES	<u><u>\$ 4,817,801</u></u>	<u><u>\$ 2,509,214</u></u>	<u><u>\$ 7,327,015</u></u>

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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, 2020, deferred inflows of resources for unavailable revenues related to property taxes consisted of delinquent taxes receivable of \$1,048,423.

Food Service Fund

Unearned revenue in the Food Service Fund represents the carryover of unused donated foods of \$6,212 and prepaid balances on student meal accounts of \$65,001.

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, 2020

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, 2020

NOTE I - PENSION PLAN (Continued)

Employer Contributions

The School District's contractually required contribution rate for the fiscal year ended June 30, 2020, was 33.36% of covered payroll, actuarially determined as an amount that, when combined with employee contributions is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the plan from the School District were \$7,332,000 for the year ended June 30, 2020.

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

At June 30, 2020, the School District reported a liability of \$69,846,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2018 to June 30, 2019. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the School District's proportion was .01493% which was an increase of 0.0007% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the School District recognized pension expense of \$8,136,000. At June 30, 2020, 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	\$ 385,000	\$ 2,315,000
Changes in assumptions	668,000	-
Net difference between projected and actual investment earnings	-	200,000
Changes in proportions	1,195,000	26,000
Difference between employer contributions and proportionate share of total contributions	94,000	-
Contributions subsequent to the measurement date	<u>7,332,000</u>	<u>-</u>
	<u>\$ 9,674,000</u>	<u>\$ 2,541,000</u>

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE I - PENSION PLAN (Continued)

\$7,332,000 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending</u> <u>June 30,</u>	
2020	\$ 843,000
2021	(672,000)
2022	(486,000)
2023	<u>116,000</u>
	<u>\$ (199,000)</u>

Actuarial Assumptions

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

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

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE I - PENSION PLAN (Continued)

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

The long-term expected rate of return on 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	20.0%	5.6%
Fixed income	36.0%	1.9%
Commodities	8.0%	2.7%
Absolute return	10.0%	3.4%
Risk parity	10.0%	4.1%
Infrastructure/MLPs	8.0%	5.5%
Real estate	10.0%	4.1%
Alternative investments	15.0%	7.4%
Cash	3.0%	0.3%
Financing (LIBOR)	-20.0%	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, 2019.

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, 2020

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>87,001,000</u>	\$ <u>69,846,000</u>	\$ <u>55,320,000</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 2019-2020 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, 2020

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, 2020 was \$72,118.

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 59,901
2022	59,054
2023	45,574
2024	<u>3,906</u>
	<u>\$ 168,435</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, 2020, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	4
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	<u>228</u>
	<u>232</u>

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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, 2020 benefit payments paid as they came due were \$57,671.

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 – 3.36%, based on S&P Municipal Bond 20 Year High Grade Rate Index at July 1, 2019.

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 - 6.0% in 2018, and 5.5% in 2019 through 2021. Rates gradually decrease from 5.4% in 2022 to 3.8% 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, 2020

**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.

Age	Male Rate	Female Rate	Age	Male Rate	Female Rate
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, 2020

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

Participant Data – Based on census information as of July 2018. Due to the timing of School District turnover, the data is believed to be representative of the population for the 2019-2020 school year.

Changes in Assumptions - In the 2019 actuarial valuation, the discount rate changed from 2.98% to 3.36%.

Changes in the Total OPEB Liability

	<u>Total Pension Liability</u>
Balance at June 30, 2018	\$ <u>1,706,555</u>
Changes for the year	
Service cost	136,931
Interest cost	54,493
Changes in assumptions	(56,730)
Benefit payments	<u>(27,446)</u>
Net changes	<u>107,248</u>
Balance at June 30, 2019	\$ <u><u>1,813,803</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 (2.36 percent) or 1-percentage-point higher (4.36 percent) than the current discount rate:

	1% Decrease <u>2.36%</u>	Current Discount Rate <u>3.36%</u>	1% Increase <u>4.36%</u>
Total OPEB liability	\$ <u><u>1,965,352</u></u>	\$ <u><u>1,813,803</u></u>	\$ <u><u>1,670,024</u></u>

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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>1,605,515</u>	\$ <u>1,813,803</u>	\$ <u>2,064,712</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

Related to OPEB - For the year ended June 30, 2020, the School recognized OPEB expense of \$140,433. At June 30, 2020, 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	\$ 22,602	\$ 316,982
Changes in proportion	-	-
Difference between expected and actual experience	-	374,169
Net difference between projected and actual investments earnings	-	-
Contributions subsequent to the measurement date	<u>45,840</u>	<u>-</u>
	<u>\$ 68,442</u>	<u>\$ 691,151</u>

\$45,840 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2021	\$ (50,991)
2022	(50,991)
2023	(50,991)
2024	(50,991)
2025	(50,991)
Thereafter	<u>(413,594)</u>
	<u>\$ (668,549)</u>

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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, 2019, 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, 2020

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, 2019 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, 2020 was 0.84% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$185,000 for the year ended June 30, 2020.

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

At June 30, 2020, the District reported a liability of \$3,175,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System’s total OPEB liability as of June 30, 2018 to June 30, 2019. The District’s proportion of the net OPEB liability was calculated utilizing the employer’s one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the District’s proportion was 0.1493% percent, which was an increase of 0.0007% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the District recognized OPEB expense of \$171,000. At June 30, 2020, 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	\$ 18,000	\$ -
Changes in assumptions	105,000	94,000
Net difference between projected and actual investment earnings	5,000	-
Changes in proportions	75,000	-
Difference between employer contributions and proportionate share of total contributions	-	3,000
Contributions subsequent to the measurement date	<u>185,000</u>	<u>-</u>
	<u>\$ 388,000</u>	<u>\$ 97,000</u>

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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

\$185,000 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending <u>June 30,</u>	
2020	\$ (17,000)
2021	(17,000)
2022	(16,000)
2023	(15,000)
2024	(32,000)
Thereafter	<u>(12,000)</u>
	<u>\$ (109,000)</u>

Actuarial Assumptions

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

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

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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

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

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2017 determined the employer contribution rate for fiscal year 2019.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	13.2%	0.20%
US core fixed income	83.1%	1.0%
Non-US developed fixed	3.7%	0.0%
	<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, 2019.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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

Discount Rate

The discount rate used to measure the Total OPEB Liability was 2.79%. Under the plan’s funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan’s fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a “pay-as-you-go” plan. A discount rate of 2.79% which represents the S&P 20 year Municipal Bond Rate at June 30, 2019, was applied to all projected benefit payments to measure the total OPEB liability.

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, 2019, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2019, 93,339 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2019, 780 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the net OPEB liability for June 30, 2019, 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>3,175,000</u>	\$ <u>3,175,000</u>	\$ <u>3,176,000</u>

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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 2.79%, 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 (1.79%) or 1-percentage-point higher (3.79%) than the current rate:

	1% Decrease 1.79%	Current Discount Rate 2.79%	1% Increase 3.79%
District's proportionate share of the net OPEB liability	\$ <u>3,617,000</u>	\$ <u>3,175,000</u>	\$ <u>2,809,000</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 - RISKS AND UNCERTAINTIES

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to have an effect on daily operations. Financial impact could occur though such potential impact is unknown at this time.

REQUIRED SUPPLEMENTARY INFORMATION

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

	<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>0.1493%</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>\$ 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>\$ 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>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>54.00%</u>	<u>54.00%</u>	<u>51.84%</u>	<u>50.14%</u>	<u>45.64%</u>	<u>57.24%</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, 2019, 2018, 2017, 2016, and 2015).

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 SIX FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 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>7,332,000</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>
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>
Contributions as a percentage of covered payroll	<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 TWO FISCAL YEARS

	<u>2020</u>	<u>2019</u>
School District's proportion of the net OPEB liability	<u>0.1493%</u>	<u>0.1486%</u>
School District's proportionate share of the net OPEB liability	\$ <u>3,175,000</u>	\$ <u>3,098,000</u>
School District's covered payroll	\$ <u>20,593,921</u>	\$ <u>20,007,014</u>
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	<u>15.42%</u>	<u>15.48%</u>
The plan's fiduciary net position as a percentage of the net OPEB liability	<u>5.56%</u>	<u>5.56%</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 PSERS OTHER POSTEMPLOYMENT
BENEFIT PLAN CONTRIBUTIONS
LAST TWO FISCAL YEARS

	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 185,000	\$ 171,000
Contributions in relation to the contractually required contribution	<u>185,000</u>	<u>171,000</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	<u>\$ 21,978,417</u>	<u>\$ 20,593,921</u>
Contributions as a percentage of covered payroll	<u>0.84%</u>	<u>0.83%</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 TWO FISCAL YEARS

	<u>2020</u>	<u>2019</u>
TOTAL OPEB LIABILITY		
Service cost	\$ 136,931	\$ 151,107
Interest	54,493	62,810
Changes of benefit terms	-	399,840
Difference between expected and actual experience	-	(431,733)
Changes of assumptions	(56,730)	(304,654)
Benefit payments	<u>(27,446)</u>	<u>(57,671)</u>
NET CHANGE IN TOTAL OPEB LIABILITY	107,248	(180,301)
 TOTAL OPEB LIABILITY, BEGINNING	 <u>1,706,555</u>	 <u>1,886,856</u>
 TOTAL OPEB LIABILITY, ENDING	 <u>\$ 1,813,803</u>	 <u>\$ 1,706,555</u>
 COVERED PAYROLL	 <u>\$ 20,593,921</u>	 <u>\$ 20,545,171</u>
 TOTAL OPEB LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	 <u>8.81%</u>	 <u>8.31%</u>

NOTES TO SCHEDULE

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

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.

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.