

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
Year Ended June 30, 2017



Certified Public Accountants and Business Consultants

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, 2017, and the related notes to the financial statements, which collectively comprise the Lower Moreland Township School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Lower Moreland Township School District as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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, 2016, 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 6 through 16, schedule of the school district's proportionate share of the net pension liability on page 53, schedule of school district's contributions on page 54, and postemployment benefits other than pension funding progress on page 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

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

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal and state awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 8, 2017, on our consideration of the Lower Moreland Township School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Lower Moreland Township School District's internal control over financial reporting and compliance.

Maullie LLP

Oaks, Pennsylvania
December 8, 2017

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED JUNE 30, 2017

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, 2017. 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 2016-2017, the District would experience another year of significant increases in the costs for special education instruction and increased cost for regular instruction due to enrollment increases. In the budgeting process, the Board of School Directors (the "Board") was able to balance the budget with a 2.92 percent increase in taxes. In an attempt to lessen the tax burden, the Board elected to utilize \$560,000 in fund balance or savings to offset the tax increase. The actual results of operations showed that revenues were slightly more than expected and expenditures came below the budget figure. Revenue factors denoting the slight increase include the larger than expected collection of earned income taxes and two years in one funding of rental and sinking funds from the State. On the expenditure side, the District spent less in order to match the less than expected revenue. Through prudent budgeting practices on the revenue and expenditure side, the District was able to not over expend its' funds during the fiscal year. It did however exceed budgeted expenditures as a result of a capital transfer. However, revenues were such that total expenses were less than total revenues.

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, 2017

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

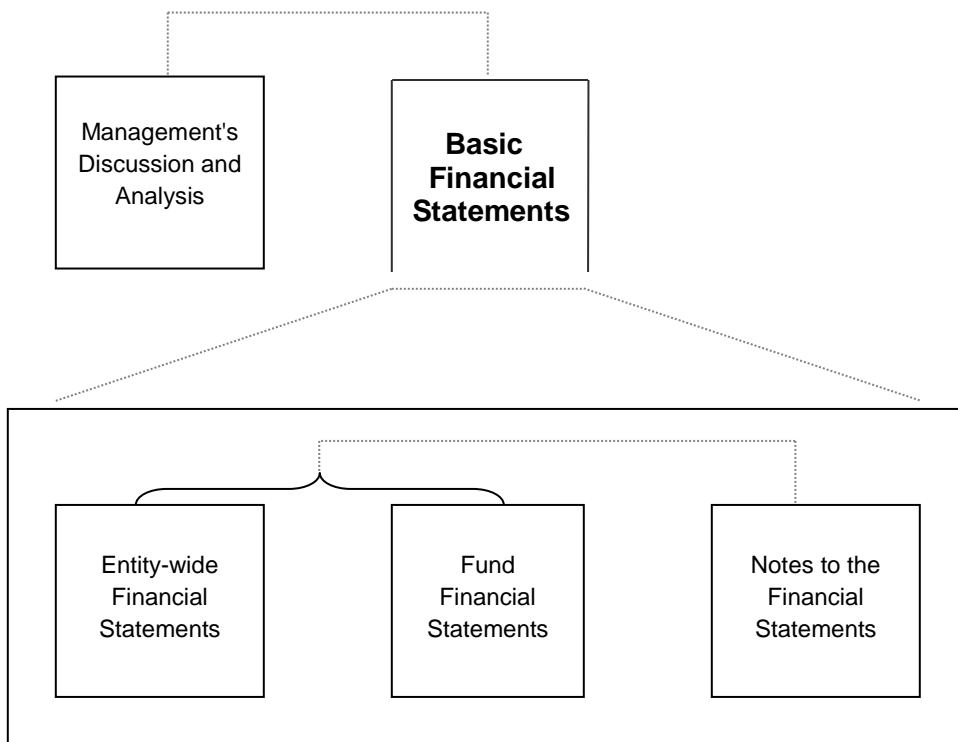


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District they cover and the types of information they contain. The remainder of this overview section of the MD&A explains the structure and contents of each of the statements.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2017

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, 2017

OVERVIEW OF FINANCIAL STATEMENTS

Entity-Wide Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2017

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's total net position was (\$34,974,921) at June 30, 2017.

Table A-1
Net Position
As of June 30, 2017

	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
ASSETS AND DEFERRED						
OUTFLOWS OF RESOURCES						
Current and other assets	\$ 17,125,929	\$ 18,250,857	\$ 264,912	\$ 233,244	\$ 17,390,841	\$ 18,484,101
Capital assets	49,227,015	49,396,627	96,313	132,126	49,323,328	49,528,753
Total Assets	66,352,944	67,647,484	361,225	365,370	66,714,169	68,012,854
Deferred charges on bond refund	1,898,085	2,035,692	-	-	1,898,085	2,035,692
Deferred charges on pensions	13,102,000	5,900,000	-	-	13,102,000	5,900,000
Total Deferred Outflows of Resources	15,000,085	7,935,692	-	-	15,000,085	7,935,692
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	81,353,029	75,583,176	361,225	365,370	81,714,254	75,948,546
LIABILITIES						
Current and other liabilities	8,441,220	7,915,679	100,505	91,239	8,541,725	8,006,918
Long-term liabilities	107,447,450	101,683,284	-	-	107,447,450	101,683,284
TOTAL LIABILITIES	115,888,670	109,598,963	100,505	91,239	115,989,175	109,690,202
DEFERRED INFLOWS-PENSIONS						
Pension Activities	700,000	385,000	-	-	700,000	385,000
TOTAL LIABILITIES AND DEFERRED INFLOWS-PENSIONS	116,588,670	109,983,963	100,505	91,239	116,689,175	110,075,202
NET ASSETS:						
Net investment in capital assets	18,814,117	17,491,111	96,313	132,126	18,910,430	17,623,237
Unrestricted	(54,049,758)	(51,891,898)	164,407	142,005	(53,885,351)	(51,749,893)
TOTAL NET POSITION	\$ (35,235,641)	\$ (34,400,787)	\$ 260,720	\$ 274,131	\$ (34,974,921)	\$ (34,126,656)

Most of the District's assets are invested in capital assets (buildings, land and equipment). At June 30, 2017, the District has a larger net investment in capital assets balance than in the prior year. The change is attributed to the retirement of debt associated with these assets as well as the completion of various projects within the District. As debt for the District is retired more quickly than the capital assets are depreciated, the net position balance will increase. 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 decreased due to decreased revenues.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2017

The decrease in net position is a reflection of larger long-term liabilities due primarily to the long-term pension obligations.

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

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

Table A-2
Changes in Net Position
Fiscal Year Ended June 30, 2017

	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
REVENUES						
Program revenues:						
Charges for services	\$ 419,832	\$ 410,441	\$ 751,098	\$ 728,564	\$ 1,170,930	\$ 1,139,005
Operating grants and contributions	5,971,699	5,031,677	149,986	133,549	6,121,685	5,165,226
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	35,275,885	34,265,238	-	-	35,275,885	34,265,238
Other taxes	3,166,169	3,069,708	-	-	3,166,169	3,069,708
Grants, subsidies and contributions, unrestricted	2,089,571	2,002,199	-	-	2,089,571	2,002,199
Other (including transfers)	449,983	402,047	3,743	6,668	453,726	408,715
TOTAL REVENUES	47,373,139	45,181,310	904,827	868,781	48,277,966	46,050,091
EXPENSES						
Instruction	31,611,622	29,659,641	-	-	31,611,622	29,659,641
Instructional student support	3,212,076	3,091,890	-	-	3,212,076	3,091,890
Administrative and financial support	5,155,447	4,976,626	-	-	5,155,447	4,976,626
Operation and maintenance of plant	2,802,792	2,639,587	-	-	2,802,792	2,639,587
Pupil transportation	2,977,525	2,823,910	-	-	2,977,525	2,823,910
Student activities	712,518	697,298	-	-	712,518	697,298
Community services	150,325	147,580	-	-	150,325	147,580
Interest on long-term debt	1,585,688	1,590,610	-	-	1,585,688	1,590,610
Food services	-	-	918,238	890,439	918,238	890,439
TOTAL EXPENSES	48,207,993	45,627,142	918,238	890,439	49,126,231	46,517,581
INCREASE (DECREASE) IN NET POSITION	\$ (834,854)	\$ (445,832)	\$ (13,411)	\$ (21,658)	\$ (848,265)	\$ (467,490)

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2017

Total governmental activities expenses of \$48,207,993 include \$1,686,698 of depreciation expense and \$1,976,000 for pension expense related to GASB 68. Wages (\$20,123,652) and benefits (\$10,648,652) comprise 71 percent of the total governmental activity expenses. The variance in total revenues is a reflection of a 2.92 percent tax increase to pay for the additional expenses incurred during the 2016-2017 fiscal year. The District is experiencing growth especially with ESL students, and additional teaching and support positions were needed as well as a large increase in healthcare expenditures and increased special education out-of-district placements. The decrease in net position is a result non-funding of rental and sinking funds from the State.

Total business-type activities (food services) expenses of \$918,238 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, 2017

FUNCTIONS/PROGRAMS	Total Cost of Services		Net Cost of Services	
	2017	2016	2017	2016
Instruction	\$ 31,611,622	\$ 29,659,641	\$ 26,387,714	\$ 25,818,154
Instructional student support	3,212,076	3,091,890	3,160,453	2,755,303
Administrative	5,155,447	4,976,626	5,155,447	4,576,154
Operation and maintenance of plant	2,802,792	2,639,587	2,802,792	2,601,747
Pupil transportation	2,977,525	2,823,910	2,559,547	2,411,571
Student activities	712,518	697,298	670,285	588,622
Community services	150,325	147,580	(87,707)	(110,476)
Interest on long-term debt	<u>1,585,688</u>	<u>1,590,610</u>	<u>1,170,931</u>	<u>1,543,949</u>
Total Governmental Activities	\$ <u>48,207,993</u>	\$ <u>45,627,142</u>	41,819,462	40,185,024
Less: Unrestricted grants and subsidies			<u>2,089,571</u>	<u>2,002,199</u>
TOTAL NEEDS FROM LOCAL TAXES AND OTHER REVENUES			\$ <u>39,729,891</u>	\$ <u>38,182,825</u>

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2017

Unrestricted grants and subsidies of \$2,089,571 were available to reduce the cost of services of governmental activities to a net cost of \$39,729,891. Significant unrestricted grants and subsidies include the basic education subsidy (\$2,089,571).

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, 2017

FUNCTIONS/PROGRAMS	Total Cost of Services		Change in Net Position	
	2017	2016	2017	2016
Food services	\$ 918,238	\$ 890,439	\$ (13,411)	\$ (21,658)

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, 2017, the District's governmental funds reported a combined fund balance of \$11,737,133, which is a decrease from the prior year total of (\$1,462,299). 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 exceeded projections particularly as they related to earned income and delinquent taxes. The District received excess revenues and expenditures and came in at budget thereby increasing the General Fund balance by \$31,073.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2017

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 (\$1,493,372) due mainly to capital expenditures from the Capital Projects Fund for various capital projects.

General Fund Budget

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

Table A-5
General Fund
Original Budget

REVENUES	<u>2016-2017</u>	<u>2015-2016</u>
Local revenue	\$ 37,417,163	\$ 36,357,717
State revenue	8,658,863	8,028,016
Federal revenue	<u>312,749</u>	<u>406,778</u>
Total Budgeted Revenue	<u>\$ 46,388,775</u>	<u>\$ 44,792,511</u>
EXPENDITURES	<u>2016-2017</u>	<u>2015-2016</u>
Total instructional program expenditures	\$ 28,059,052	\$ 27,083,066
Total support services expenditures	13,294,328	12,871,114
Total noninstructional/community services	955,091	933,880
Total debt service/fund transfers	<u>4,530,304</u>	<u>4,743,995</u>
Total Budgeted Expenditures	<u>\$ 46,838,775</u>	<u>\$ 45,632,055</u>

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2017

A comparison of the 2015-2016 and 2016-2017 revenue and expenditures budget is shown in Table A-5. On the revenue side of the budget, there was a 2.92 percent real estate tax increase. Starting July 1, 2004, the Board adopted a 0.5 percent earned income tax and collections totaled \$1,985,621. Other revenue accounts have been adjusted based on recent history. On the expenditure side of the budget, there was a total expense increase of 2.89 percent. One of the major reasons for the increase was a 16.21% increase in the PSERS rate. The Board allocated \$560,000 of fund balance to help offset this increase.

CAPITAL ASSETS

At June 30, 2017, the District had \$49,227,015 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 \$169,612 , or 0.34 percent from last year. This was a result of the 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 \$35,812 of depreciation expense was recognized during the fiscal year. Total business-type capital assets were \$96,313 at June 30, 2017.

Table A-6
Capital Assets - Net of Depreciation

	<u>2017</u>	<u>2016</u>
Land	\$ 661,530	\$ 661,530
Buildings (includes construction-in-progress)	48,085,054	48,353,991
Furniture and equipment	279,240	381,106

DEBT ADMINISTRATION

As of July 1, 2016, the District had total outstanding bonded debt of \$39,605,000. During the year, the District made payments against principal, which resulted in debt being decreased by \$3,100,000 and refunding debt issued in the net amount of (\$270,000) resulting in ending outstanding debt as of June 30, 2017 of \$36,235,000. In addition, the District had \$31,018 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, 2017, the District's non-electoral debt limit was \$101,776,547. The District's net general obligation debt (general obligation debt reduced by future state subsidy reimbursements) was \$36,235,000. Its excess borrowing capacity as of June 30, 2017 was \$65,541,547.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2017

The Board approved the District's budget for fiscal year 2017-2018 on June 20, 2017. The District is allowed to update its borrowing base calculation to include the budgeted revenues for 2017-2018. Based upon the inclusion of the 2017-2018 revenue as part of the borrowing base calculation, the District's current excess borrowing capacity is \$68,393,258, which is further increased by any general obligation debt principal payments that are made during the 2017-2018 fiscal year..

Table A-7
Outstanding Debt

	<u>2017</u>	<u>2016</u>
General Obligation Notes/Bonds:		
Bonds	\$ 36,235,000	\$ 39,605,000
Lease	31,018	92,521

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 7 and 8 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, 2017

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 9,092,110	\$ 48,448	\$ 9,140,558
Investments	6,672,555	87,398	6,759,953
Taxes receivable, net	746,495	-	746,495
Due from other governments	514,769	21,636	536,405
Other receivables, net	-	96,175	96,175
Prepaid items	100,000	-	100,000
Inventories	-	11,255	11,255
Capital assets			
Land	661,530	-	661,530
Construction in progress	201,191	-	201,191
Buildings and building improvements	67,466,333	-	67,466,333
Machinery and equipment	3,362,549	398,077	3,760,626
Accumulated depreciation	(22,464,588)	(301,764)	(22,766,352)
TOTAL ASSETS	<u>66,352,944</u>	<u>361,225</u>	<u>66,714,169</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding	1,898,085	-	1,898,085
Deferred outflows of resources, pension activity	13,102,000	-	13,102,000
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>15,000,085</u>	<u>-</u>	<u>15,000,085</u>
LIABILITIES			
Accounts payable	723,218	54,032	777,250
Accrued salaries and benefits	3,952,055	-	3,952,055
Unearned revenue	-	46,473	46,473
Other current liabilities	88,704	-	88,704
Accrued interest	409,744	-	409,744
Long-term liabilities			
Portion due or payable within one year			
Bonds and note payable	3,220,000	-	3,220,000
Compensated absences payable	16,481	-	16,481
Capital leases payable	31,018	-	31,018
Portion due or payable after one year			
Bonds and note payable	34,924,863	-	34,924,863
Compensated absences	593,929	-	593,929
Net pension liability	71,411,000	-	71,411,000
Net OPEB obligation	517,658	-	517,658
TOTAL LIABILITIES	<u>115,888,670</u>	<u>100,505</u>	<u>115,989,175</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources, pension activity	700,000	-	700,000
NET POSITION			
Net investment in capital assets	18,814,117	96,313	18,910,430
Unrestricted	(54,049,758)	164,407	(53,885,351)
TOTAL NET POSITION	<u>\$ (35,235,641)</u>	<u>\$ 260,720</u>	<u>\$ (34,974,921)</u>

See accompanying notes to the basic financial statements.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
Instruction	\$ 31,611,622	\$ 139,567	\$ 5,087,341	\$ -
Instructional student support	3,212,076	-	51,623	-
Administrative and financial support services	5,155,447	-	-	-
Operation and maintenance of plant services	2,802,792	-	-	-
Pupil transportation	2,977,525	-	417,978	-
Student activities	712,518	42,233	-	-
Community services	150,325	238,032	-	-
Interest on long-term debt	1,585,688	-	414,757	-
TOTAL GOVERNMENTAL ACTIVITIES	48,207,993	419,832	5,971,699	-
BUSINESS-TYPE ACTIVITIES				
Food service	918,238	751,098	149,986	-
TOTAL SCHOOL DISTRICT ACTIVITIES	\$ 49,126,231	\$ 1,170,930	\$ 6,121,685	\$ -

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

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
\$ (26,384,714)	\$ -	\$ (26,384,714)
(3,160,453)	-	(3,160,453)
(5,155,447)	-	(5,155,447)
(2,802,792)	-	(2,802,792)
(2,559,547)	-	(2,559,547)
(670,285)	-	(670,285)
87,707	-	87,707
<u>(1,170,931)</u>	<u>-</u>	<u>(1,170,931)</u>
(41,816,462)	-	(41,816,462)
<u>-</u>	<u>(17,154)</u>	<u>(17,154)</u>
<u>(41,816,462)</u>	<u>(17,154)</u>	<u>(41,833,616)</u>
35,275,885	-	35,275,885
3,166,169	-	3,166,169
2,089,571	-	2,089,571
368,719	-	368,719
57,950	-	57,950
27,057	-	27,057
<u>(3,743)</u>	<u>3,743</u>	<u>-</u>
<u>40,981,608</u>	<u>3,743</u>	<u>40,985,351</u>
(834,854)	(13,411)	(848,265)
<u>(34,400,787)</u>	<u>274,131</u>	<u>(34,126,656)</u>
<u>\$ (35,235,641)</u>	<u>\$ 260,720</u>	<u>\$ (34,974,921)</u>

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017 AND 2016

	General Fund	Capital Projects Fund	Total	
			2017	2016
ASSETS				
Cash and cash equivalents	\$ 3,258,230	\$ 5,833,880	\$ 9,092,110	\$ 13,841,334
Investments	6,672,555	-	6,672,555	3,250,120
Taxes receivable, net	746,495	-	746,495	756,901
Due from other governments	514,769	-	514,769	402,502
Prepaid items	100,000	-	100,000	-
TOTAL ASSETS	\$ 11,292,049	\$ 5,833,880	\$ 17,125,929	\$ 18,250,857
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 693,591	\$ 29,627	\$ 723,218	\$ 854,341
Other current liabilities	88,704	-	88,704	83,698
Accrued salaries and benefits	3,952,055	-	3,952,055	3,458,171
Unearned revenue	-	-	-	83
TOTAL LIABILITIES	4,734,350	29,627	4,763,977	4,396,293
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues, property taxes	624,819	-	624,819	655,132
FUND BALANCES				
Restricted to capital projects	-	5,804,253	5,804,253	7,297,625
Committed				
Self funded insurance	1,500,000	-	1,500,000	1,500,000
Assigned				
PSERS rate increases	1,000,000	-	1,000,000	1,000,000
Unassigned	3,432,880	-	3,432,880	3,401,807
TOTAL FUND BALANCES	5,932,880	5,804,253	11,737,133	13,199,432
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 11,292,049	\$ 5,833,880	\$ 17,125,929	\$ 18,250,857

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, 2017

TOTAL GOVERNMENTAL FUNDS BALANCES \$ 11,737,133

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. These assets consist of:

Land	661,530
Construction in progress	201,191
Buildings	67,466,333
Furniture and equipment	3,362,549
Accumulated depreciation	(22,464,588)

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Unamortized bond premiums and discounts	(1,909,863)
Other post employment benefits	(517,658)
Capital lease payable	(31,018)
Bonds payable in future years	(36,235,000)
Pension liability	(71,411,000)
Accumulated compensated absences	(610,410)
Accrued interest	(409,744)

Refunded debt resulted in deferred charges which will be amortized over the life of new debt but do not represent current rights. 1,898,085

Deferred inflows and outflows related to pension activities are not financial resources and therefore not reported on the governmental funds. 12,402,000

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. 624,819

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (35,235,641)

See accompanying notes to the basic financial statements.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEARS ENDED JUNE 30, 2017 AND 2016

	General Fund	Capital Projects Fund	Total	
			2017	2016
REVENUES				
Local sources	\$ 37,604,540	\$ 25,902	\$ 37,630,442	\$ 36,406,465
State sources	8,834,443	-	8,834,443	7,810,131
Federal sources	673,141	-	673,141	678,993
TOTAL REVENUES	47,112,124	25,902	47,138,026	44,895,589
EXPENDITURES				
Instruction	28,381,371	-	28,381,371	27,043,316
Support services	13,079,606	122,510	13,202,116	12,917,916
Operation of non-instructional services	832,973	-	832,973	826,416
Facilities acquisition, construction and improvement services	-	1,944,274	1,944,274	604,209
Debt service	4,358,358	-	4,358,358	4,207,840
TOTAL EXPENDITURES	46,652,308	2,066,784	48,719,092	45,599,697
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	459,816	(2,040,882)	(1,581,066)	(704,108)
OTHER FINANCING SOURCES (USES)				
Proceeds from refunding bonds issued	-	8,355,000	8,355,000	9,500,000
Premium on refunding bonds issued	-	555,264	555,264	38,516
Payments to refund debt	-	(8,787,754)	(8,787,754)	(9,359,089)
Transfers in	-	425,000	425,000	-
Transfers out	(428,743)	-	(428,743)	(6,668)
TOTAL OTHER FINANCING SOURCES (USES)	(428,743)	547,510	118,767	172,759
NET CHANGE IN FUND BALANCES	31,073	(1,493,372)	(1,462,299)	(531,349)
FUND BALANCES AT BEGINNING OF YEAR	5,901,807	7,297,625	13,199,432	13,730,781
FUND BALANCES AT END OF YEAR	\$ 5,932,880	\$ 5,804,253	\$ 11,737,133	\$ 13,199,432

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, 2017

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (1,462,299)
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 (\$1,686,698) exceeds capital outlays (\$1,517,086) in the current period.	(169,612)
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 decreased by this amount this year.	(30,313)
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	23,596
Changes in net pension plan liability and related deferrals	(1,976,000)
Accrued interest not reflected in Governmental Funds	(118,568)
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.	3,037,897
The net change in the liability for the net OPEB obligation is reported in the government-wide statements but not in the Governmental Funds statements.	<u>(139,555)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (834,854)</u>

See accompanying notes to the basic financial statements.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 37,417,163	\$ 37,417,163	\$ 37,604,540	\$ 187,377
State sources	8,658,863	8,658,863	8,834,443	175,580
Federal sources	312,749	312,749	673,141	360,392
TOTAL REVENUES	46,388,775	46,388,775	47,112,124	723,349
EXPENDITURES				
Instruction	28,059,052	28,449,052	28,381,371	67,681
Support services	13,294,328	13,258,328	13,079,606	178,722
Operation of non-instructional services	955,091	881,091	832,973	48,118
Debt service	4,530,304	4,360,304	4,358,358	1,946
TOTAL EXPENDITURES	46,838,775	46,948,775	46,652,308	296,467
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(450,000)	(560,000)	459,816	1,019,816
OTHER FINANCING SOURCES (USES)				
Budgetary reserve	(110,000)	-	-	-
Transfers out	-	-	(428,743)	(428,743)
TOTAL OTHER FINANCING SOURCES (USES)	(110,000)	-	(428,743)	(428,743)
NET CHANGE IN FUND BALANCE	\$ (560,000)	\$ (560,000)	31,073	\$ 591,073
FUND BALANCE AT BEGINNING OF YEAR			5,901,807	
FUND BALANCE AT END OF YEAR			\$ 5,932,880	

See accompanying note to the budgetary comparison schedule.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
STATEMENTS OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017 AND 2016

	Enterprise Fund	
	Food Service Fund	
	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 48,448	\$ 139,968
Investments	87,398	69,635
Other receivables	117,811	19,866
Inventories	11,255	3,775
TOTAL CURRENT ASSETS	<u>264,912</u>	<u>233,244</u>
CAPITAL ASSETS		
Machinery and equipment	398,077	398,077
Accumulated depreciation	(301,764)	(265,951)
TOTAL CAPITAL ASSETS	<u>96,313</u>	<u>132,126</u>
TOTAL ASSETS	<u>361,225</u>	<u>365,370</u>
CURRENT LIABILITIES		
Accounts payable	54,032	51,436
Unearned revenue, student balances	35,218	36,028
Unearned revenue, donated commodities	11,255	3,775
TOTAL CURRENT LIABILITIES	<u>100,505</u>	<u>91,239</u>
NET POSITION		
Net investment in capital assets	96,313	132,126
Unrestricted	164,407	142,005
TOTAL NET POSITION	<u>\$ 260,720</u>	<u>\$ 274,131</u>

See accompanying notes to the basic financial statements.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION PROPRIETARY FUNDS YEARS ENDED JUNE 30, 2017 AND 2016

	Enterprise Fund	
	Food Service Fund	
	2017	2016
OPERATING REVENUES		
Charges for services	\$ 751,098	\$ 728,564
OPERATING EXPENSES		
Purchased property services	32,420	30,797
Other purchased services	813,709	790,440
Supplies	36,297	33,390
Depreciation	35,812	35,812
TOTAL OPERATING EXPENSES	<u>918,238</u>	<u>890,439</u>
OPERATING LOSS	<u>(167,140)</u>	<u>(161,875)</u>
NONOPERATING REVENUES		
Interfund transfers	3,743	6,668
State sources	11,016	11,052
Federal sources	<u>138,970</u>	<u>122,497</u>
TOTAL NONOPERATING REVENUES	<u>153,729</u>	<u>140,217</u>
CHANGE IN NET POSITION	(13,411)	(21,658)
NET POSITION AT BEGINNING OF YEAR	<u>274,131</u>	<u>295,789</u>
NET POSITION AT END OF YEAR	<u>\$ 260,720</u>	<u>\$ 274,131</u>

See accompanying notes to the basic financial statements.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT

STATEMENTS OF CASH FLOWS

PROPRIETARY FUNDS

YEARS ENDED JUNE 30, 2017 AND 2016

	Enterprise Fund	
	Food Service Fund	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 647,443	\$ 730,773
Payments to suppliers	(836,863)	(799,073)
NET CASH USED BY OPERATING ACTIVITIES	<u>(189,420)</u>	<u>(68,300)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State sources	11,067	9,635
Federal sources	100,853	77,207
Interfund transfers	3,743	6,668
Increase in investments	(17,763)	(69,635)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>97,900</u>	<u>23,875</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(91,520)	(44,425)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>139,968</u>	<u>184,393</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 48,448</u>	<u>\$ 139,968</u>

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
YEARS ENDED JUNE 30, 2017 AND 2016

	Enterprise Fund	
	Food Service Fund	
	2017	2016
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	\$ (167,140)	\$ (161,875)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation	35,812	35,812
Donated Commodities	36,297	33,390
(Increase) decrease in		
Inventories	(7,480)	4,748
Other receivables	(96,175)	-
Increase (decrease) in		
Accounts payable	2,596	22,164
Deferred revenue	6,670	(2,539)
	<u>\$ (189,420)</u>	<u>\$ (68,300)</u>
NET CASH USED BY OPERATING ACTIVITIES	\$ <u>(189,420)</u>	\$ <u>(68,300)</u>
 SUPPLEMENTAL DISCLOSURES		
Noncash activity		
Donated foods	\$ 36,297	\$ 33,390

See accompanying notes to the basic financial statements.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

JUNE 30, 2017

	<u>Private- Purpose Trust Funds</u>	<u>Agency Fund</u>
ASSETS		
Cash and cash equivalents	\$ 90,894	\$ 35,479
Investments	<u>-</u>	<u>64,294</u>
TOTAL ASSETS	90,894	\$ <u><u>99,773</u></u>
LIABILITIES		
Accounts payable	<u>-</u>	\$ <u><u>99,773</u></u>
NET POSITION		
Held in trust for benefits and other purposes	<u>\$ 90,894</u>	

See accompanying notes to the basic financial statements.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEARS ENDED JUNE 30, 2017 AND 2016

	<u>Private-Purpose Trust Funds</u>	
	<u>2017</u>	<u>2016</u>
ADDITIONS		
Contributions	\$ 14,478	\$ 20,870
DEDUCTIONS		
Scholarships awarded	<u>24,550</u>	<u>27,310</u>
CHANGE IN NET POSITION	(10,072)	(6,440)
NET POSITION AT BEGINNING OF YEAR	<u>100,966</u>	<u>107,406</u>
NET POSITION AT END OF YEAR	<u><u>\$ 90,894</u></u>	<u><u>\$ 100,966</u></u>

See accompanying notes to the basic financial statements.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

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 2,032 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, 2017

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, 2017

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, 2017

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, 2017

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, 2017, 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 2016-2017 was 33.3179 mills (\$33.32 for \$1,000 of assessed valuation) for the entire District.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017

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 two 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 projected and actual earnings, the difference between actual employer contributions and the School District's proportionate share of total contributions, 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.

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 two 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 and the changes in proportion. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2017, the carrying amount of the District's deposits was \$9,266,931, and the bank balance was \$9,597,872. Of the bank balance, \$250,000 was covered by federal depository insurance; \$82,450 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 \$9,265,422 are in the Pennsylvania Local Government Investment Trust ("PLGIT").

Investments

As of June 30, 2017, 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><u>6,824,247</u></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, 2017, is \$6,824,247. 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, 2017

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 \$1,368,739 invested in PLGIT/Plus Class account which incurs a penalty if funds are withdrawn within 30 days of deposit. The School District had \$6,049,647 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, 2017.

NOTE C - INTERFUND TRANSFERS

The composition of interfund transfers for the year ended June 30, 2017 is as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Capital Projects Fund	General Fund	\$ 425,000
Food Service Fund	General Fund	<u>3,743</u>
		<u>\$ 428,743</u>

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, 2017

NOTE D - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 661,530	\$ -	\$ -	\$ 661,530
Construction in progress	135,890	201,191	(135,890)	201,191
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>797,420</u>	<u>201,191</u>	<u>(135,890)</u>	<u>862,721</u>
Capital assets being depreciated				
Buildings and building improvements	66,014,548	1,451,785	-	67,466,333
Machinery and equipment	3,362,549	-	-	3,362,549
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>69,377,097</u>	<u>1,451,785</u>	<u>-</u>	<u>70,828,882</u>
Accumulated depreciation				
Buildings and building improvements	(17,796,447)	(1,584,832)	-	(19,381,279)
Machinery and equipment	(2,981,443)	(101,866)	-	(3,083,309)
TOTAL ACCUMULATED DEPRECIATION	<u>(20,777,890)</u>	<u>(1,686,698)</u>	<u>-</u>	<u>(22,464,588)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>48,599,207</u>	<u>(234,913)</u>	<u>-</u>	<u>48,364,294</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	<u>49,396,627</u>	<u>(33,722)</u>	<u>(135,890)</u>	<u>49,227,015</u>
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated				
Furniture and equipment	398,077	-	-	398,077
Accumulated depreciation	(265,951)	(35,813)	-	(301,764)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	<u>132,126</u>	<u>(35,813)</u>	<u>-</u>	<u>96,313</u>
CAPITAL ASSETS, net	<u>\$ 49,528,753</u>	<u>\$ (69,535)</u>	<u>\$ (135,890)</u>	<u>\$ 49,323,328</u>
GOVERNMENTAL ACTIVITIES				
Instruction				\$ 1,585,474
Instructional student support				99,716
Administrative and financial support services				204
Operation and maintenance of plant services				1,263
Pupil transportation				41
				<u>\$ 1,686,698</u>
BUSINESS-TYPE ACTIVITIES				
Food service				<u>\$ 35,813</u>

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE E - GENERAL LONG-TERM DEBT

The following summarizes the changes in long-term debt for the year ended June 30, 2017:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Bonds payable	\$ 39,605,000	\$ 8,355,000	\$ (11,725,000)	\$ 36,235,000
Premiums on bonds	1,695,975	555,264	(338,121)	1,913,118
Discounts on bonds	(42,112)	-	38,857	(3,255)
Deferred charges on refunding	(2,035,692)	(637,863)	775,470	(1,898,085)
Capital lease payable	92,522	-	(61,504)	31,018
Accumulated compensated absences	634,006	-	(23,596)	610,410
Net pension liability	62,548,000	8,863,000	-	71,411,000
Net OPEB liability	378,103	139,555	-	517,658
TOTAL GOVERNMENTAL ACTIVITIES	\$ 102,875,802	\$ 17,274,956	\$ (11,333,894)	\$ 108,816,864

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.

\$ 975,000

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.

4,115,000

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.

7,105,000

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.

7,790,000

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. The refunding resulted in an economic gain of \$1,286,521 and a cash flow savings of \$1,500,745.

9,395,000

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 .6% to 5%. The bonds mature through August 2023. The refunding resulted in an economic gain of \$567,616 and a cash flow savings of \$586,065.

6,855,000

TOTAL

\$ 36,235,000

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE E - GENERAL LONG-TERM DEBT (Continued)

Bonds payable is comprised of the following:

Bonds payable, at face	\$ 36,235,000
Unamortized discount	(3,255)
Unamortized premium	<u>1,913,118</u>
 Bonds payable, net	 \$ <u><u>38,144,863</u></u>
 Amounts due in one year	 \$ 3,220,000
Amounts due after one year	<u>34,924,863</u>
 Bonds payable, net	 \$ <u><u>38,144,863</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>
2018	\$ 3,220,000	\$ 976,540	\$ 4,196,540
2019	3,335,000	911,383	4,246,383
2020	3,500,000	776,416	4,276,416
2021	3,597,143	631,241	4,228,384
2022	3,732,143	534,616	4,266,759
2023 to 2027	15,300,714	1,410,876	16,711,590
2028 to 2029	<u>3,550,000</u>	<u>74,766</u>	<u>3,624,766</u>
	<u>\$ 36,235,000</u>	<u>\$ 5,315,838</u>	<u>\$ 41,550,838</u>

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017 are as follows:

<u>Year Ending June 30, 2017</u>	
Total minimum lease payments	\$ 32,410
Less: Amount representing interest	<u>(1,392)</u>
 PRESENT VALUE OF MINIMUM LEASE PAYMENTS	 \$ <u><u>31,018</u></u>

Total expenditures under these leases amounted to \$65,745 during the fiscal year ended June 30, 2017.

NOTE G - FUND BALANCES

As of June 30, 2017, fund balances are composed of the following:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Restricted			
Capital projects	\$ -	\$ 5,804,253	\$ 5,804,253
Committed			
Self funded insurance	1,500,000	-	1,500,000
Assigned			
PSERS	1,000,000	-	1,000,000
Unassigned	<u>3,432,880</u>	<u>-</u>	<u>3,432,880</u>
 Total fund balances	 \$ <u><u>5,932,880</u></u>	 \$ <u><u>5,804,253</u></u>	 \$ <u><u>11,737,133</u></u>

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017, deferred inflows of resources for unavailable revenues related to property taxes consisted of delinquent taxes receivable of \$624,819.

Food Service Fund

Unearned revenue in the Food Service Fund represents the carryover of unused donated foods of \$11,255 and prepaid balances on student meal accounts of \$35,218.

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.state.pa.us.

Benefits Provided - PSERS provides retirement, disability and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 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, 2017

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, 2017

NOTE I - PENSION PLAN (Continued)

Employer Contributions

The School District's contractually required contribution rate for the fiscal year ended June 30, 2016, was 29.20% 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 \$5,618,000 for the year ended June 30, 2017.

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

At June 30, 2017, the School District reported a liability of \$71,411,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2015 to June 30, 2016. 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, 2016, the School District's proportion was 0.1441% which was a decrease of 0.0003% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the School District recognized pension expense of \$7,594,000. At June 30, 2017, 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	\$ -	\$ 595,000
Changes in assumptions	2,578,000	-
Net difference between projected and actual investment earnings	3,980,000	-
Changes in proportions	828,000	105,000
Difference between employer contributions and proportionate share of total contributions	98,000	-
Contributions subsequent to the measurement date	<u>5,618,000</u>	<u>-</u>
	<u>\$ 13,102,000</u>	<u>\$ 700,000</u>

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE I - PENSION PLAN (Continued)

\$5,618,000 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, 2017. 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>	
2018	\$ 1,536,000
2019	1,536,000
2020	2,228,000
2021	<u>1,484,000</u>
	<u>\$ 6,784,000</u>

Changes in Actuarial Assumptions - The total pension liability as of June 30, 2016, was determined by rolling forward the System's total pension liability as of the June 30, 2015 actuarial valuation to June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Changes in assumptions used in measurement of the Total Pension Liability beginning June 30, 2016

- The Investment Rate of Return was adjusted from 7.50% to 7.25%.
- The inflation assumption was decreased from 3.0% to 2.75%.
- Salary growth changed from an effective average of 5.50%, which was comprised of inflation of 3.00%, real wage growth and for merit or seniority increases of 2.50%, to an 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-2000 Combined Healthy Annuitant Table (male and female) with age set back three years for both males and females to 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. For disabled annuitants, the RP-2000 Combined Disabled Tables (male and female) with age set back seven years for males and three years for females. to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. The actuarial assumptions used in the June 30, 2016 valuation were based on the experience study that was performed for the five-year period ending June 30, 2015. The recommended assumption changes based on this experience study were adopted by the Board at its June 10, 2016 Board meeting, and were effective beginning with the June 30, 2016 actuarial valuation.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE I - PENSION PLAN (Continued)

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	22.5%	5.3%
Fixed income	28.5%	2.1%
Commodities	8.0%	2.5%
Absolute return	10.0%	3.3%
Risk parity	10.0%	3.9%
Infrastructure/MLPs	5.0%	4.8%
Real estate	12.0%	4.0%
Alternative investments	15.0%	6.6%
Cash	3.0%	0.2%
Financing (LIBOR)	-14.0%	0.5%
	<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, 2016.

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, 2017

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>87,355,000</u>	\$ <u>71,411,000</u>	\$ <u>58,014,000</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.state.pa.us.

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 2016-2017 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, 2017

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, 2017 was \$69,974.

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 69,733
2019	47,017
2020	16,463
2021	<u>340</u>
	<u>\$ 133,553</u>

NOTE M - POSTEMPLOYMENT BENEFITS

Plan Description

The District implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions*, for certain post-employment healthcare benefits and life insurance benefits provided by the District. This statement generally provides for prospective implementation - i.e., that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. Accordingly, for financial reporting purposes, no liability is reported for the post-employment benefits liability at the date of transition.

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.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE M - POSTEMPLOYMENT BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation

The District's annual other post-employment benefit cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the plan.

Annual required contribution (ARC)	\$ 198,126
Interest on net OPEB obligation	17,015
Adjustment to ARC	<u>(23,212)</u>
ANNUAL OPEB EXPENSE	191,929
Contributions made (estimated)	<u>(52,374)</u>
ESTIMATED INCREASE IN NET OPEB OBLIGATION	139,555
Net OPEB obligation at beginning of year	<u>378,103</u>
NET OPEB OBLIGATION AT END OF YEAR	<u><u>\$ 517,658</u></u>

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 185,953	61.9%	\$ 287,648
2016	184,790	51.0%	378,103
2017	191,929	27.3%	517,658

The schedule of funding progress of OPEB is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2016	\$ -	\$ 1,425,565	\$ 1,425,565	0.00%	\$ 18,194,738	7.84%
3/1/2014	-	1,446,702	1,446,702	0.00%	17,714,724	8.17%
3/1/2012	-	2,027,488	2,027,488	0.00%	17,861,498	11.35%

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE M - POSTEMPLOYMENT BENEFITS (Continued)

Funded Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$1,425,565 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,425,565. The covered payroll (annual payroll of active employees covered by the plan) was \$18,194,738, and the ratio of the UAAL to the covered payroll was 7.84%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents information about the actuarial value of plan assets and actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets consistent with the long-term perspective of the calculations.

In the July 1, 2016 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 6.5% in 2016, and 6.0% in 2017, and 5.5% in 2018 through 2020. The unfunded actuarial accrued liability is being amortized using single period amortization as of the end of the year based on a level dollar, 30-year open period.

REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
School District's proportion of the net pension liability (asset)	<u>0.1441%</u>	<u>0.1444%</u>	<u>0.1441%</u>
School District's proportionate share of the net pension liability (asset)	<u>\$ 71,411,000</u>	<u>\$ 62,548,000</u>	<u>\$ 57,036,000</u>
School District's covered-employee payroll	<u>\$ 18,656,758</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-employee payroll	<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>50.14%</u>	<u>45.64%</u>	<u>57.24%</u>

Notes:

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

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

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF SCHOOL DISTRICT'S CONTRIBUTIONS
LAST THREE FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 5,618,000	\$ 4,603,000	\$ 3,738,000
Contributions in relation to the contractually required contribution	<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-employee payroll	\$ <u><u>19,239,726</u></u>	\$ <u><u>18,412,000</u></u>	\$ <u><u>18,234,146</u></u>
Contributions as a percentage of covered-employee payroll	<u><u>29.20%</u></u>	<u><u>25.00%</u></u>	<u><u>20.50%</u></u>

Notes:

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
POSTEMPLOYMENT BENEFITS OTHER THAN PENSION
FUNDING PROGRESS
YEAR ENDED JUNE 30, 2017

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2016	\$ -	\$ 1,425,565	\$ 1,425,565	0.00%	\$ 18,194,738	7.84%
3/1/2014	-	1,446,702	1,446,702	0.00%	17,714,724	8.17%
3/1/2012	-	2,027,488	2,027,488	0.00%	17,861,498	11.35%

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Lower Moreland Township School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Lower Moreland Township School District's basic financial statements, and have issued our report thereon dated December 8, 2017.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Oaks, Pennsylvania
December 8, 2017

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

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

Report on Compliance for Each Major Federal Program

We have audited the Lower Moreland Township School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Lower Moreland Township School District's major federal programs for the year ended June 30, 2017. Lower Moreland Township School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

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

Opinion on Each Major Federal Program

In our opinion, the Lower Moreland Township School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Lower Moreland Township School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Lower Moreland Township School District's basic financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (the Uniform Guidance) and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Purpose of this Report

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

Maillie LLP

Oaks, Pennsylvania
December 8, 2017

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

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL
AND CERTAIN STATE AWARDS
YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Date
Passed through the Pennsylvania Department of Education				
Title I Improving Basic Programs	I	84.010	013-110233	July 1, 2015 to June 30, 2016
Title I Improving Basic Programs	I	84.010	013-110233	July 1, 2016 to June 30, 2017
TOTAL TITLE I				
Title II Improving Teacher Quality	I	84.367	020-110233	July 1, 2015 to June 30, 2016
Title II Improving Teacher Quality	I	84.367	020-110233	July 1, 2016 to June 30, 2017
TOTAL TITLE II				
Title III Language Instruction	I	84.365	010-110233	July 1, 2015 to June 30, 2016
Title III Language Instruction	I	84.365	010-110233	July 1, 2015 to June 30, 2016
Title III Language Instruction	I	84.365	010-110233	July 1, 2016 to June 30, 2017
TOTAL TITLE III				
Passed through the Montgomery County Intermediate Unit				
IDEA	I	84.027*	062-11-0233	July 1, 2015 to June 30, 2016
IDEA	I	84.027*	062-11-0233	July 1, 2016 to June 30, 2017
IDEA - Preschool Grants	I	84.173*	062-11-0233	July 1, 2016 to June 30, 2017
TOTAL SPECIAL EDUCATION CLUSTER				
TOTAL FORWARD				

See accompanying notes to the schedule of expenditures of federal and certain state awards.

<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2016</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2017</u>	<u>Passed Through to Sub-Recipients</u>
\$ 169,047	\$ 25,590	\$ 15,555	\$ 10,035	\$ 10,035	\$ -	\$ -
148,204	<u>116,581</u>	<u>-</u>	<u>136,641</u>	<u>136,641</u>	<u>20,060</u>	<u>-</u>
	142,171	15,555	146,676	146,676	20,060	-
40,092	(83)	(83)	-	-	-	-
38,979	<u>36,402</u>	<u>-</u>	<u>38,979</u>	<u>38,979</u>	<u>2,577</u>	<u>-</u>
	36,319	(83)	38,979	38,979	2,577	-
32,714	10,066	7,145	2,921	2,921	-	-
5,508	5,508	-	5,508	5,508	-	-
35,531	<u>27,917</u>	<u>-</u>	<u>35,531</u>	<u>35,531</u>	<u>7,614</u>	<u>-</u>
	43,491	7,145	43,960	43,960	7,614	-
360,955	179,558	179,558	-	-	-	-
371,068	153,332	-	371,069	371,069	217,737	-
450	<u>450</u>	<u>-</u>	<u>450</u>	<u>450</u>	<u>-</u>	<u>-</u>
	333,340	179,558	371,519	371,519	217,737	-
	<u>\$ 555,321</u>	<u>\$ 202,175</u>	<u>\$ 601,134</u>	<u>\$ 601,134</u>	<u>\$ 247,988</u>	<u>\$ -</u>

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL
AND CERTAIN STATE AWARDS
YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Date
U.S. DEPARTMENT OF EDUCATION				
TOTAL FORWARDED				
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed through the Pennsylvania Department of Homeland Security				
Public Assistance Grant	I	97.036	N/A	July 1, 2016 to June 30, 2017
U.S. DEPARTMENT OF AGRICULTURE				
Passed through the Pennsylvania Department of Agriculture				
National School Lunch Program	I	10.555	N/A	July 1, 2016 to June 30, 2017
Passed through the Pennsylvania Department of Education				
National School Lunch Program	I	10.555	362	July 1, 2015 to June 30, 2016
National School Lunch Program	I	10.555	362	July 1, 2016 to June 30, 2017
National School Breakfast Program	I	10.553	362	July 1, 2015 to June 30, 2016
National School Breakfast Program	I	10.553	362	July 1, 2016 to June 30, 2017
TOTAL CHILD NUTRITION CLUSTER				
National School Lunch Program	S	N/A	510/511/512/513	July 1, 2016 to June 30, 2017
National School Breakfast Program	S	N/A	510/511/512/513	July 1, 2016 to June 30, 2017
TOTAL U.S. DEPARTMENT OF AGRICULTURE				
TOTAL FEDERAL AND CERTAIN STATE AWARDS				
LESS STATE AWARDS				
TOTAL FEDERAL AWARDS				

Footnotes:

- (a) Total amount of foods received from the Department of Agriculture.
- (b) Beginning inventory at July 1, 2016.
- (c) Total amount of foods used.
- (d) Ending inventory at June 30, 2017.

Source Codes:

- I = Indirect funding
- S = State share
- * = Major program

<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2016</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2017</u>	<u>Passed Through to Sub-Recipients</u>
	\$ <u>555,321</u>	\$ <u>202,175</u>	\$ <u>601,134</u>	\$ <u>601,134</u>	\$ <u>247,988</u>	\$ <u>-</u>
24,206	<u>24,206</u>	<u>-</u>	<u>24,206</u>	<u>24,206</u>	<u>-</u>	<u>-</u>
N/A	36,297 (a)	- (b)	36,297	36,297 (c)	- (d)	-
N/A	17,316	17,316	-	-	-	-
N/A	82,072	-	101,377	101,377	19,305	-
N/A	388	388	-	-	-	-
N/A	<u>1,077</u>	<u>-</u>	<u>1,295</u>	<u>1,295</u>	<u>218</u>	<u>-</u>
	137,150	17,704	138,969	138,969	19,523	-
N/A	10,637	1,887	10,845	10,845	2,095	-
N/A	<u>428</u>	<u>276</u>	<u>171</u>	<u>171</u>	<u>19</u>	<u>-</u>
	<u>148,215</u>	<u>19,867</u>	<u>149,985</u>	<u>149,985</u>	<u>21,637</u>	<u>-</u>
	727,742	222,042	775,325	775,325	269,625	-
	<u>(11,065)</u>	<u>(2,163)</u>	<u>(11,016)</u>	<u>(11,016)</u>	<u>(2,114)</u>	<u>-</u>
	\$ <u><u>716,677</u></u>	\$ <u><u>219,879</u></u>	\$ <u><u>764,309</u></u>	\$ <u><u>764,309</u></u>	\$ <u><u>267,511</u></u>	\$ <u><u>-</u></u>

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF

FEDERAL AND CERTAIN STATE AWARDS

YEAR ENDED JUNE 30, 2017

NOTE A - GENERAL

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of the School District. The School District's reporting entity is defined in Note A to the School District's financial statements. Federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through other government agencies, is included on the schedule.

NOTE B - BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, which is described in Note A.

NOTE C - NONMONETARY FEDERAL AWARDS

The Commonwealth of Pennsylvania distributes federal surplus food to institutions (schools, hospitals, and prisons) and to the needy. Expenditures reported in the schedule of expenditures of federal awards under CFDA #10.555 National School Lunch Program-Commodities represent surplus food consumed by the District during the 2016-2017 fiscal year.

NOTE D - INDIRECT COST RATES

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

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of the Lower Moreland Township School District .
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the Lower Moreland Township School District were disclosed during the audit.
4. No significant deficiencies or material weaknesses relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With the Uniform Guidance.
5. The auditors' report on compliance for the major federal award programs for the Lower Moreland Township School District expresses an unmodified opinion.
6. There are no audit findings that are required to be reported in accordance with Section 2 CFR 200.516(a).
7. The programs tested as major programs include:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
IDEA	#84.027/84.173
8. The threshold used for distinguishing Types A and B programs was \$750,000.
9. Lower Moreland Township School District was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None.

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

None.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2017

None.