



**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
HUNTINGDON VALLEY, PA**

AUDIT REPORT

JUNE 30, 2013

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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December 9, 2013

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 Lower Moreland Township School District (the "District"), Huntingdon Valley, Pennsylvania, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District'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.

Board of School Directors
Lower Moreland Township School District

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, Huntingdon Valley, Pennsylvania, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 16 to the financial statements, in 2013, the District adopted new accounting guidance, GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities." Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the District's 2012 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information in our report dated November 9, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lower Moreland Township School District's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations," and is not a required part of the basic financial statements.

Board of School Directors
Lower Moreland Township School District

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 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 9, 2013, 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 District's internal control over financial reporting and compliance.

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
HUNTINGDON VALLEY, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED
REQUIRED SUPPLEMENTARY INFORMATION (RSI)
FOR THE YEAR ENDED JUNE 30, 2013**

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, 2013. 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 2012-2013, 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 3.09 percent increase in taxes. In an attempt to lessen the tax burden, the Board elected to utilize \$412,630 in fund balance or savings to offset the tax increase. The actual results of operations showed that revenues were more than expected and expenditures came in above the budget figure. The revenue increases included a refund of prior year expenses for a medical reimbursement as well as a large increase in delinquent tax collections. Other factors denoting the increase include the larger than expected collection of earned income taxes and a greater than expected allocation for the District's federal programs. On the expenditure side, the District allocated a capital transfer to help fund the capital projects fund. Through prudent budgeting practices on the revenue side, the District was able to transfer \$2,350,000 of revenues that exceeded expenditures in the General Fund to the Capital Projects Fund.

USING THE BASIC FINANCIAL STATEMENTS

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

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

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

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
HUNTINGDON VALLEY, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (cont'd)
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2013

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**

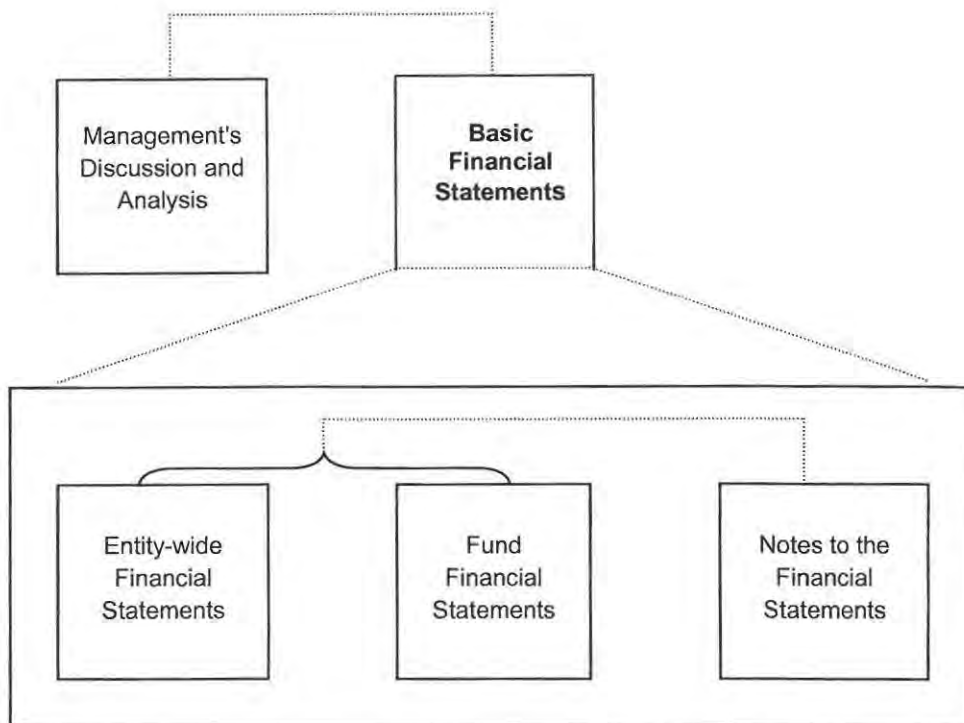


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District they cover and the types of information they contain. The remainder of this overview section of the MD&A explains the structure and contents of each of the statements.

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
HUNTINGDON VALLEY, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (cont'd)
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2013**

**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
HUNTINGDON VALLEY, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (cont'd)
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2013

OVERVIEW OF FINANCIAL STATEMENTS

Entity-wide Statements

The two entity-wide statements, which are on pages 15 and 16, 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 17, 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.

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
HUNTINGDON VALLEY, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (cont'd)
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2013**

- **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 25 and 26. These activities have been excluded from the District's entity-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's total net position was \$17,646,384 at June 30, 2013.

**Table A-1
Net Position
As of June 30, 2013**

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
Current and other assets	\$14,011,714	\$13,096,907	\$ 100,711	\$ 108,775	\$14,112,425	\$13,205,682
Capital assets	47,987,186	49,244,989	228,200	263,871	48,215,386	49,508,860
Total Assets	61,998,900	62,341,896	328,911	372,646	62,327,811	62,714,542
Deferred charges on bond refunding	2,061,596	2,243,416	-	-	2,061,596	2,243,416
Total Deferred Outflows of Resources	2,061,596	2,243,416	-	-	2,061,596	2,243,416
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	64,060,496	64,585,312	328,911	372,646	64,389,407	64,957,958
LIABILITIES AND NET POSITION						
Current and other liabilities	7,035,040	7,327,202	34,489	32,077	7,069,529	7,359,279
Long-term liabilities	39,673,494	42,827,669	-	-	39,673,494	42,827,669
TOTAL LIABILITIES	46,708,534	50,154,871	34,489	32,077	46,743,023	50,186,948
Net Position:						
Net investment in capital assets	8,062,917	6,415,898	228,200	263,871	8,291,117	6,679,769
Unrestricted	9,289,045	8,014,543	66,222	76,698	9,355,267	8,091,241
TOTAL NET POSITION	\$17,351,962	\$14,430,441	\$ 294,422	\$ 340,569	\$17,646,384	\$14,771,010

Most of the District's assets are invested in capital assets (buildings, land and equipment). At June 30, 2013, 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 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 positive balance that consists of the effect of funds on hand to be invested in capital in future years and the District's decision not to currently fund long-term benefits for accumulated and unused vacation, sick and early retirement incentive option payments. The decrease in capital assets was a result of current year depreciation exceeding current year additions and the increase in current assets was a result of more revenues received than budgeted.

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
HUNTINGDON VALLEY, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (cont'd)
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2013**

The increase in net position is a reflection of smaller than expected use of fund balance to offset expenditures and also the continued retirement of long-term debt.

The results of this year's operations as a whole are reported in the Statement of Activities on page 16. 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, 2013**

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
REVENUES						
Program revenues:						
Charges for services	\$ 427,708	\$ 451,988	\$ 649,270	\$ 695,651	\$ 1,076,978	\$ 1,147,639
Operating grants and contributions	3,686,484	3,270,863	103,203	86,563	3,789,687	3,357,426
Capital grants and contributions	-	851,000	-	-	-	851,000
General revenues:						
Property taxes	31,350,187	30,910,248	-	-	31,350,187	30,910,248
Other taxes	3,053,880	2,849,804	-	-	3,053,880	2,849,804
Grants, subsidies and contributions, unrestricted	1,894,029	1,894,029	-	-	1,894,029	1,894,029
Other (including transfers)	850,321	792,330	-	-	850,321	792,330
TOTAL REVENUES	41,262,609	41,020,262	752,473	782,214	42,015,082	41,802,476
EXPENSES						
Instruction	23,517,599	23,724,667	-	-	23,517,599	23,724,667
Instructional student support	2,690,564	2,434,821	-	-	2,690,564	2,434,821
Administrative and financial support	4,051,408	4,232,625	-	-	4,051,408	4,232,625
Operation and maintenance of plant	2,948,579	1,964,613	-	-	2,948,579	1,964,613
Pupil transportation	2,545,345	2,350,573	-	-	2,545,345	2,350,573
Student activities	659,907	608,830	-	-	659,907	608,830
Community services	161,900	157,357	-	-	161,900	157,357
Interest on long-term debt	1,765,786	1,895,261	-	-	1,765,786	1,895,261
Food services	-	-	798,620	799,284	798,620	799,284
TOTAL EXPENSES	38,341,088	37,368,747	798,620	799,284	39,139,708	38,168,031
INCREASE (DECREASE) IN NET POSITION	\$ 2,921,521	\$ 3,651,515	\$ (46,147)	\$ (17,070)	\$ 2,875,374	\$ 3,634,445

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
HUNTINGDON VALLEY, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (cont'd)
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2013**

Total governmental activities expenses of \$38,341,088 include \$1,747,731 of depreciation expense. Wages (\$18,500,452) and benefits (\$6,923,487) comprise 66 percent of the total governmental activity expenses. The variance in total revenues is a reflection of a 3.09 percent tax increase to pay for the additional expenses incurred during the 2012-2013 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 increase in net position is a result of revenue totals well exceeding budget projections.

Total business-type activities (food services) expenses of \$798,620 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, 2013**

FUNCTIONS/PROGRAMS	Total Cost of Services		Net Cost of Services	
	2013	2012	2013	2012
Instruction	\$ 23,517,599	\$ 23,724,667	\$ 20,817,216	\$ 21,302,526
Instructional student support	2,690,564	2,434,821	2,405,465	2,203,124
Administrative	4,051,408	4,232,625	3,824,505	4,052,437
Operation and maintenance of plant	2,948,579	1,964,613	2,912,954	1,075,051
Pupil transportation	2,545,345	2,350,573	2,156,576	1,955,163
Student activities	659,907	608,830	599,516	572,989
Community services	161,900	157,357	(59,206)	(51,585)
Interest on long-term debt	1,765,786	1,895,261	1,569,870	1,685,191
Total Governmental Activities	<u>\$ 38,341,088</u>	<u>\$ 37,368,747</u>	34,226,896	32,794,896
Less: Unrestricted grants and subsidies			<u>1,894,029</u>	<u>1,894,029</u>
TOTAL NEEDS FROM LOCAL TAXES AND OTHER REVENUES			<u>\$ 32,332,867</u>	<u>\$ 30,900,867</u>

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
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**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (cont'd)
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2013**

Unrestricted grants and subsidies of \$1,894,029 were available to reduce the cost of services of governmental activities to a net cost of \$32,332,867. Significant unrestricted grants and subsidies include the basic education subsidy (\$1,894,029).

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, 2013**

	Total Cost of Services		Total Cost of Services	
	2013	2012	2013	2012
FUNCTIONS/PROGRAMS				
Food services	\$ 798,620	\$ 799,284	\$ (46,147)	\$ (17,070)

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, 2013, the District's governmental funds reported a combined fund balance of \$9,436,978, which is an increase from the prior year total of \$8,332,043. 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 below budget, thereby increasing the General Fund balance by \$2,397,451 (before transfers). The District transferred \$2,350,000 of that fund balance in order to bolster the Capital Projects fund to help with projected capital improvements. The resulting fund balance total leaves the District in a comfortable position to appropriate future fund balances as desired.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
HUNTINGDON VALLEY, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (cont'd)
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2013

Capital Projects Fund:

- The District does not fund unexpected capital projects, but does plan its capital projects several years in advance. In order to fund planned projects, the District borrows funds and also makes transfers from its available fund balance of the General Fund to this fund. The balance of this fund increased \$1,057,484 due mainly to a capital transfer from the General Fund.

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 21.

**Table A-5
General Fund
Original Budget**

REVENUES

	2012-2013	2011-2012
Local revenue	\$ 33,550,024	\$ 32,503,670
State revenue	6,458,960	5,978,046
Federal revenue	276,095	528,872
Total Budgeted Revenue	<u>\$ 40,285,079</u>	<u>\$ 39,010,588</u>

EXPENDITURES

	2012-2013	2011-2012
Total instructional program expenditures	\$ 23,201,987	\$ 22,389,955
Total support services expenditures	11,903,693	11,690,978
Total non-instructional/community services	858,449	834,011
Total debt service/fund transfers	4,733,580	4,690,038
Total Budgeted Expenditures	<u>\$ 40,697,709</u>	<u>\$ 39,604,982</u>

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
HUNTINGDON VALLEY, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (cont'd)
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2013**

A comparison of the 2011-2012 and 2012-2013 revenue and expenditures budget is shown in Table A-5. On the revenue side of the budget, there was a 3.0856 percent real estate tax increase. Starting July 1, 2004, the Board adopted a 0.5 percent earned income tax and collections totaled \$1,671,537. Other revenue accounts have been adjusted based on recent history. On the expenditure side of the budget, there was a total expense increase of 2.76 percent. Some of the reasons for this increase were a 1.0 new teaching position and a 1.0 new aide position for autistic support at Pine Road Elementary School. The Board allocated \$412,630 of fund balance to help offset this increase.

CAPITAL ASSETS

At June 30, 2013, the District had \$47,987,186 invested in a broad range of governmental capital assets, including land, buildings, furniture and equipment, and construction-in-progress. This amount represents a net decrease (including additions, deletions and depreciation) of \$1,257,803, or 2.55 percent from last year. This was a result of the decreases in the furniture and equipment category due to the fact that current year depreciation exceeded additions.

Business-type activities assets were depreciated and \$35,671 of depreciation expense was recognized during the fiscal year. Total business-type capital assets were \$228,200 at June 30, 2013.

**Table A-6
Capital Assets - Net of Depreciation**

	2013	2012
Land	\$ 661,530	\$ 661,530
Buildings (includes construction-in-progress)	\$ 46,595,131	\$ 47,575,942
Furniture and equipment	\$ 958,725	\$ 1,271,388

DEBT ADMINISTRATION

As of July 1, 2012, the District had total outstanding bonded debt of \$44,840,000. During the year, the District made payments against principal, which resulted in debt being decreased by \$3,070,000 resulting in ending outstanding debt as of June 30, 2013 of \$41,770,000. In addition, the District had \$194,764 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, 2013, the District's non-electoral debt limit was \$86,531,863. The District's net general obligation debt (general obligation debt reduced by future state subsidy reimbursements) was \$41,770,000. Its excess borrowing capacity as of June 30, 2013 was \$44,761,863.

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
HUNTINGDON VALLEY, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (cont'd)
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2013**

The Board approved the District's budget for fiscal year 2013-2014 on June 18, 2013. The District is allowed to update its borrowing base calculation to include the budgeted revenues for 2012-2013. Based upon the inclusion of the 2012-2013 revenue as part of the borrowing base calculation, the District's current excess borrowing capacity is \$47,893,870, which is further increased by any general obligation debt principal payments that are made during the 2013-2014 fiscal year.

**Table A-7
Outstanding Debt**

	2013	2012
General Obligation Notes/Bonds:		
- Bonds	\$ 41,770,000	\$ 44,840,000
- Lease	\$ 194,764	\$ 214,138

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, 2013
(With Summarized Comparative Data for June 30, 2012)

	Governmental Activities	Business-type Activities	Totals	
			2013	2012*
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
ASSETS:				
Cash and cash equivalents	\$ 8,765,057	\$ 76,459	\$ 8,841,516	\$ 8,370,956
Investments	3,852,757	-	3,852,757	3,418,991
Taxes receivable	1,168,981	-	1,168,981	974,714
Due from other governments	224,919	-	224,919	332,466
Other receivables	-	14,066	14,066	11,948
Inventories	-	10,186	10,186	8,768
Other current assets	-	-	-	87,839
Land and improvements	661,530	-	661,530	661,530
Construction-in-progress	155,599	-	155,599	326,346
Buildings and building improvements	59,767,838	-	59,767,838	59,158,981
Furniture and equipment	3,069,354	386,604	3,455,958	3,404,140
Accumulated depreciation	(15,667,135)	(158,404)	(15,825,539)	(14,042,137)
TOTAL ASSETS	61,998,900	328,911	62,327,811	62,714,542
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on bond refunding	2,061,596	-	2,061,596	2,243,416
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$64,060,496	\$ 328,911	\$64,389,407	\$64,957,958
LIABILITIES AND NET POSITION				
LIABILITIES:				
Accounts payable	\$ 899,199	\$ 24,303	\$ 923,502	\$ 1,698,681
Accrued salaries and benefits	2,578,030	-	2,578,030	2,115,012
Other liabilities	90,138	10,186	100,324	97,736
Accrued interest	193,159	-	193,159	206,275
Unearned revenue	8,276	-	8,276	198
Long-term liabilities:				
Portion due or payable within one year:				
Capital leases payable	97,916	-	97,916	151,571
Bonds payable, net	3,147,269	-	3,147,269	3,067,269
Accumulated compensated absences	21,053	-	21,053	22,537
Portion due or payable after one year:				
Capital leases payable	96,848	-	96,848	62,567
Bonds payable in future years, net	38,643,832	-	38,643,832	41,791,100
Accumulated compensated absences	758,699	-	758,699	812,170
Other post-employment benefits	174,115	-	174,115	161,832
TOTAL LIABILITIES	46,708,534	34,489	46,743,023	50,186,948
NET POSITION :				
Net investment in capital assets	8,062,917	228,200	8,291,117	6,679,769
Unrestricted	9,289,045	66,222	9,355,267	8,091,241
TOTAL NET POSITION	17,351,962	294,422	17,646,384	14,771,010
TOTAL LIABILITIES AND NET POSITION	\$64,060,496	\$ 328,911	\$64,389,407	\$64,957,958

* - Restated (see note 16)

The accompanying notes are an integral part of these financial statements.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013
(With Summarized Comparative Data for the Year Ended June 30, 2012)

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Expenses						
GOVERNMENTAL ACTIVITIES:						
Instruction	\$23,517,599	\$ 189,239	\$ 2,511,144	\$ (20,817,216)	\$ -	\$ (21,302,526)
Instructional student support	2,690,564	-	285,099	(2,405,465)	-	(2,203,124)
Administrative and financial support services	4,051,408	-	226,903	(3,824,505)	-	(4,052,437)
Operation and maintenance of plant services	2,948,579	-	35,625	(2,912,954)	-	(1,075,051)
Pupil transportation	2,545,345	-	388,769	(2,156,576)	-	(1,955,163)
Student activities	659,907	29,571	30,820	(599,516)	-	(572,989)
Community services	161,900	208,898	12,208	59,206	-	51,585
Interest on long-term debt	1,765,786	-	195,916	(1,569,870)	-	(1,685,191)
TOTAL GOVERNMENTAL ACTIVITIES	38,341,088	427,708	3,686,484	(34,226,896)	-	(32,794,896)
BUSINESS-TYPE ACTIVITIES:						
Food service	798,620	649,270	103,203	-	(46,147)	(17,070)
TOTAL BUSINESS-TYPE ACTIVITIES	798,620	649,270	103,203	-	(46,147)	(17,070)
TOTAL PRIMARY GOVERNMENT	\$39,139,708	\$ 1,076,978	\$ 3,789,687	(34,226,896)	(46,147)	(32,811,966)
GENERAL REVENUES						
Property taxes, levied for general purposes				31,350,187	-	31,350,187
Taxes levied for specific purposes				3,053,880	-	3,053,880
Grants and entitlements not restricted to specific programs				1,894,029	-	1,894,029
Investment earnings				32,601	-	32,601
Contributions				57,895	-	57,895
Miscellaneous				3,043	-	3,043
Refunds				756,782	-	756,782
TOTAL GENERAL REVENUES				37,148,417	-	37,148,417
CHANGE IN NET POSITION				2,921,521	(46,147)	2,875,374
NET POSITION, BEGINNING OF YEAR				14,430,441	340,569	14,771,010
NET POSITION, END OF YEAR				\$ 17,351,962	\$ 294,422	\$ 17,646,384
						\$ 14,771,010

* - Restated (see note 16)

The accompanying notes are an integral part of these financial statements.

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS**

JUNE 30, 2013

(With Summarized Comparative Data for June 30, 2012)

	General Fund	Capital Projects Fund	Totals
	2013	2012	
ASSETS			
Cash and cash equivalents	\$ 8,765,057	\$ -	\$ 8,765,057
Investments	-	3,852,757	3,852,757
Taxes receivable	1,168,981	-	1,168,981
Due from other governments	224,919	-	224,919
TOTAL ASSETS	\$10,158,957	\$ 3,852,757	\$14,011,714
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:			
LIABILITIES			
Accounts payable	\$ 671,507	\$ 227,692	\$ 899,199
Accrued salaries and benefits	2,578,030	-	2,578,030
Other current liabilities	90,138	-	90,138
Unearned revenues	8,276	-	8,276
TOTAL LIABILITIES	3,347,951	227,692	3,575,643
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues - delinquent taxes	999,093	-	999,093
TOTAL DEFERRED INFLOWS OF RESOURCES	999,093	-	999,093
FUND BALANCES:			
Restricted	-	3,625,065	3,625,065
Committed	1,500,000	-	1,500,000
Assigned	1,000,000	-	1,000,000
Unassigned	3,311,913	-	3,311,913
TOTAL FUND BALANCES	5,811,913	3,625,065	9,436,978
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$10,158,957	\$ 3,852,757	\$14,011,714
			\$13,096,907

The accompanying notes are an integral part of these financial statements.

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS
TO STATEMENT OF NET POSITION
JUNE 30, 2013**

TOTAL GOVERNMENTAL FUND BALANCES	\$ 9,436,978
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Amounts reported for governmental activities in the statement of net position are different because:

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

Land and improvements	\$ 661,530	
Construction-in-progress	155,599	
Building and building improvements	59,767,838	
Furniture and equipment	3,069,354	
Accumulated depreciation	<u>(15,667,135)</u>	47,987,186

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

Capital leases payable	(194,764)	
Bonds payable, net	(41,791,101)	
Accumulated compensated absences	(779,752)	
Other post-employment benefits	(174,115)	
Accrued interest	<u>(193,159)</u>	(43,132,891)

Refunded debt resulted in deferred charges which will be amortized over the life of new debt but do not represent current rights.	2,061,596
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Some of the 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 unavailable in the funds.	<u>999,093</u>
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NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 17,351,962</u></u>
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The accompanying notes are an integral part of these financial statements.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013
(With Summarized Comparative Data for the Year Ended June 30, 2012)

	General Fund	Capital Projects Fund	Totals
	2013	2012	
REVENUES			
Local sources	\$ 34,176,496	\$ 34,177,161	\$ 33,636,467
State sources	6,291,812	6,291,812	6,827,921
Federal sources	657,820	657,820	547,900
Other sources	120,580	120,580	142,722
TOTAL REVENUES	41,246,708	41,247,373	41,155,010
EXPENDITURES			
Current:			
Instruction	22,174,334	22,174,334	22,628,252
Support services	11,069,447	11,069,447	11,200,685
Operation of noninstructional services	823,209	823,209	771,858
Capital outlays	-	1,293,181	2,996,480
Debt service	4,782,267	4,782,267	4,798,793
TOTAL EXPENDITURES	38,849,257	40,142,438	42,396,068
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,397,451	1,104,935	(1,241,058)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	2,350,000	850,000
Transfers out	(2,350,000)	(2,350,000)	(850,000)
TOTAL OTHER FINANCING SOURCES (USES)	(2,350,000)	-	-
CHANGES IN FUND BALANCES	47,451	1,104,935	(1,241,058)
FUND BALANCES, BEGINNING OF YEAR	5,764,462	8,332,043	9,573,101
FUND BALANCES, END OF YEAR	\$ 5,811,913	\$ 9,436,978	\$ 8,332,043

The accompanying notes are an integral part of these financial statements.

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ 1,104,935
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 (\$1,747,731) exceeded capital outlays (\$489,928) in the period.	(1,257,803)
Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Unavailable tax revenues increased by this amount this year.	113,779
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 premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This amount is the net effect of these differences in the treatment of long-term and related items.	2,904,822
In the statement of activities, certain operating expenses – compensated absences (vacations and sick leave), post-employment benefits and special termination benefits (early retirement) – are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	42,672
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and, thus, requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	13,116
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 2,921,521</u>

The accompanying notes are an integral part of these financial statements.

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON STATEMENT - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual (GAAP Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES AND OTHER FINANCING SOURCES				
Local sources	\$ 33,550,024	\$ 33,243,787	\$ 34,176,496	\$ 932,709
State sources	6,458,960	6,458,960	6,291,812	(167,148)
Federal sources	276,095	582,332	657,820	75,488
Other sources	-	-	120,580	120,580
TOTAL REVENUES AND OTHER FINANCING SOURCES	40,285,079	40,285,079	41,246,708	961,629
EXPENDITURES AND OTHER FINANCING USES				
Instruction:				
Regular programs	17,637,495	17,637,495	16,717,509	919,986
Special programs	5,158,655	5,158,655	5,052,630	106,025
Vocational programs	275,085	275,085	275,085	-
Other instructional programs	110,252	110,252	108,617	1,635
Adult education programs	20,500	20,500	20,493	7
Total Instruction	23,201,987	23,201,987	22,174,334	1,027,653
Support services:				
Pupil personnel services	1,087,231	1,087,231	1,035,019	52,212
Instructional staff services	1,002,565	945,975	945,782	193
Administrative services	3,009,946	3,009,946	2,827,807	182,139
Pupil health	395,635	395,635	392,106	3,529
Business services	644,885	644,885	634,424	10,461
Operation and maintenance of plant services	2,625,733	2,595,733	2,090,596	505,137
Student transportation services	2,510,986	2,547,986	2,545,218	2,768
Central and other support services	591,712	591,712	566,263	25,449
Other support services	35,000	35,000	32,232	2,768
Total Support Services	11,903,693	11,854,103	11,069,447	784,656
Operation of noninstructional activities:				
Student activities	678,732	678,732	660,913	17,819
Community services	179,717	179,717	162,296	17,421
Total Operation of Noninstructional Services	858,449	858,449	823,209	35,240
Debt service (includes fund transfers)	4,623,580	4,783,170	7,132,267	(2,349,097)
Budgetary reserve	110,000	-	-	-
TOTAL EXPENDITURES AND OTHER FINANCING USES	40,697,709	40,697,709	41,199,257	(501,548)
CHANGE IN FUND BALANCE	(412,630)	(412,630)	47,451	460,081
FUND BALANCE, BEGINNING OF YEAR	5,764,462	5,764,462	5,764,462	-
FUND BALANCE, END OF YEAR	\$ 5,351,832	\$ 5,351,832	\$ 5,811,913	\$ 460,081

The accompanying notes are an integral part of these financial statements.

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
STATEMENTS OF NET POSITION - PROPRIETARY FUND
JUNE 30, 2013 AND 2012**

	Major Enterprise Fund	
	Food Service Fund	
	2013	2012
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 76,459	\$ 220
Other receivables	14,066	11,948
Inventories	10,186	8,768
Other current assets	-	87,839
Total Current Assets	<u>100,711</u>	<u>108,775</u>
 PROPERTY AND EQUIPMENT:		
Property and equipment	386,604	386,604
Accumulated depreciation	<u>(158,404)</u>	<u>(122,733)</u>
Net Property and Equipment	<u>228,200</u>	<u>263,871</u>
 TOTAL ASSETS	<u><u>\$ 328,911</u></u>	<u><u>\$ 372,646</u></u>
 LIABILITIES AND NET POSITION		
CURRENT LIABILITIES:		
Accounts payable	\$ 24,303	\$ 23,309
Unearned revenue	10,186	8,768
Total Current Liabilities	<u>34,489</u>	<u>32,077</u>
 NET POSITION:		
Net investment in capital assets	228,200	263,871
Unrestricted	<u>66,222</u>	<u>76,698</u>
Total Net Position	<u>294,422</u>	<u>340,569</u>
 TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 328,911</u></u>	<u><u>\$ 372,646</u></u>

The accompanying notes are an integral part of these financial statements.

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - PROPRIETARY FUND
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

	Major Enterprise Fund	
	Food Service Fund	
	2013	2012
OPERATING REVENUES		
Food service revenues	\$ 649,270	\$ 695,651
TOTAL OPERATING REVENUES	<u>649,270</u>	<u>695,651</u>
OPERATING EXPENSES		
Purchased professional and technical services	-	16,444
Purchased property services	27,662	26,753
Other purchased services	706,225	698,584
Supplies (USDA donated commodities total)	29,062	20,782
Depreciation	35,671	36,721
TOTAL OPERATING EXPENSES	<u>798,620</u>	<u>799,284</u>
OPERATING LOSS	<u>(149,350)</u>	<u>(103,633)</u>
NONOPERATING REVENUES		
State sources	11,282	11,835
Federal sources	91,921	74,728
TOTAL NONOPERATING REVENUES	<u>103,203</u>	<u>86,563</u>
CHANGE IN NET POSITION	(46,147)	(17,070)
NET POSITION, BEGINNING OF YEAR	<u>340,569</u>	<u>357,639</u>
NET POSITION, END OF YEAR	<u>\$ 294,422</u>	<u>\$ 340,569</u>

The accompanying notes are an integral part of these financial statements.

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
STATEMENTS OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

	Major Enterprise Fund Food Service Fund	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from users	\$ 737,109	\$ 686,606
Cash payments to suppliers for goods and services	(732,893)	(746,437)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>4,216</u>	<u>(59,831)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Grants and subsidies received for nonoperating activities:		
State	11,317	10,488
Federal	60,706	47,129
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>72,023</u>	<u>57,617</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	76,239	(2,214)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>220</u>	<u>2,434</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 76,459</u></u>	<u><u>\$ 220</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating loss	\$(149,350)	\$(103,633)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation	35,671	36,721
Donated commodities	29,062	20,782
Increase in inventory	(1,418)	(1,331)
Decrease (Increase) in other assets	87,839	(9,045)
Increase (decrease) in accounts payable	994	(4,656)
Increase in unearned revenue	1,418	1,331
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ 4,216</u></u>	<u><u>\$ (59,831)</u></u>
SUPPLEMENTAL DISCLOSURE:		
NONCASH NONCAPITAL FINANCIAL ACTIVITY:		
USDA donated commodities	<u><u>\$ 29,062</u></u>	<u><u>\$ 20,782</u></u>

The accompanying notes are an integral part of these financial statements.

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2013**

	<u>Private-Purpose Trust</u>	<u>Agency</u>
ASSETS		
Cash	<u>\$ 130,377</u>	<u>\$ 73,512</u>
TOTAL ASSETS	<u><u>\$ 130,377</u></u>	<u><u>\$ 73,512</u></u>
LIABILITIES AND NET POSITION		
LIABILITIES:		
Accounts payable	\$ -	\$ 73,512
NET POSITION:		
Reserved for trust	<u>130,377</u>	<u>-</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 130,377</u></u>	<u><u>\$ 73,512</u></u>

The accompanying notes are an integral part of these financial statements.

**LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
STATEMENTS OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

	Private-Purpose Trust	
	2013	2012
ADDITIONS		
Local contributions	\$ 23,618	\$ 17,780
TOTAL ADDITIONS	23,618	17,780
DEDUCTIONS		
Fees paid and scholarships awarded	26,262	25,710
TOTAL DEDUCTIONS	26,262	25,710
CHANGE IN NET POSITION	(2,644)	(7,930)
NET POSITION, BEGINNING OF YEAR	133,021	140,951
NET POSITION, END OF YEAR	\$ 130,377	\$ 133,021

The accompanying notes are an integral part of these financial statements.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 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

Entity-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.

The entity-wide financial 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.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont' d)

The entity-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), grantors, 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.

Governmental Funds

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

- The **General Fund** is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The **Capital Projects Fund** is used to account for the acquisition, construction and renovation of major capital facilities.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

Proprietary Funds

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.

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.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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 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.

Investments

Investments consist of pooled investment programs held by the Pennsylvania Local Government Investment Trust and are recorded at fair value.

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 - August 31	- Discount period, 2% of gross levy
September 1 - October 31	- Face Period
October 31 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 2012-2013 was 30.0403 mills (\$30.0403 for \$1,000 of assessed valuation) for the entire District.

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.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental and business-type activities columns in the entity-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:

Site improvements	15-20 years
School buildings	40-60 years
Equipment	5-10 years

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.

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 FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position includes 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 future periods and so will not be recognized as an outflow of resources (expense) until then. The District only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Fund Equity

As of June 30, 2013, fund balances of the governmental funds are classified as applicable, as follows:

Nonspendable – amounts that cannot be spent because they are in nonspendable form (e.g., inventory) or legally or contractually required to be maintained intact (e.g., principal of a permanent fund).

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by formal action of the Board of School Directors. The Board is the highest level of decision-making authority for Lower Moreland Township School District. Commitments may be established, modified or rescinded only through resolutions approved by the Board of School Directors.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The Business Administrator may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds and, finally, unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

Early Implementation of GASB Statement

During the current year, the School elected to early implement the provisions of GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities." The objective of this statement is to either (a) properly classify certain items that were previously reported as assets and liabilities as

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). See the restatement footnote disclosure for the restatement effects to these financial statements.

Use of Estimates in the Preparation of Financial Statements

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

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation. However, presentation of prior year totals by fund and activity type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the District's financial statements for the year ended June 30, 2012, from which the summarized information was derived.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

An annual budget is adopted for the general fund on the modified accrual basis of accounting. All annual appropriations lapse at the end of the fiscal year. Project-length financial plans are adopted for the capital projects fund.

NOTE 3 DEPOSITS AND INVESTMENTS

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The District does not have a policy for custodial credit risk. At June 30, 2013, the carrying amount of the District's deposits was \$9,045,405 and the bank balance was \$11,898,139. Of the bank balance, \$250,000 was covered by federal depository insurance, \$156,491 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 \$11,491,648 are in the Pennsylvania Local Government Investment Trust ("PLGIT").

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 3 DEPOSITS AND INVESTMENTS (cont'd)

Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PLGIT acts like money market mutual funds in that its objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized statistical rating organization and is subject to an independent annual audit.

Investments

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

All of the District's investments are in PLGIT. Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PLGIT acts like money market mutual funds in that its objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized statistical rating organization and is subject to an independent annual audit. The carrying value of the District's investments at June 30, 2013 was \$3,582,757.

Credit Risk

The District has no investment policy that would limit its investment choices to those with certain credit ratings. As of June 30, 2013, PLGIT was rated as AAAM by a nationally recognized statistical rating organization.

NOTE 4 DEFERRED INFLOWS OF RESOURCES

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition with resources that have been received, but not yet earned. At the end of the current fiscal year, deferred inflows of resources reported in the general fund resulted from delinquent property taxes receivable.

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 661,530	\$ -	\$ -	\$ 661,530
Construction-in-progress	326,346	155,599	326,346	155,599
Total Capital Assets Not Being Depreciated	<u>987,876</u>	<u>155,599</u>	<u>326,346</u>	<u>817,129</u>

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS (cont'd)

(cont'd)	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated:				
Buildings and improvements	59,158,981	608,857	-	59,767,838
Furniture and equipment	3,017,536	51,818	-	3,069,354
Total Capital Assets Being Depreciated	62,176,517	660,675	-	62,837,192
Less accumulated depreciation for:				
Buildings and improvements	11,909,385	1,418,921	-	13,328,306
Furniture and equipment	2,010,019	328,810	-	2,338,829
Total Accumulated Depreciation	13,919,404	1,747,731	-	15,667,135
Total Capital Assets Being Depreciated, Net	48,257,113	(1,087,056)	-	47,170,057
Governmental Activities Assets, Net	\$ 49,244,989	\$ (931,457)	\$ 326,346	\$ 47,987,186
Business-type Activities:				
Capital assets being depreciated:				
Furniture and equipment	\$ 386,604	\$ -	\$ -	\$ 386,604
Less accumulated depreciation	122,733	35,671	-	158,404
Business-type Activities Assets, Net	\$ 263,871	\$ (35,671)	\$ -	\$ 228,200

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

Governmental activities:	
Instruction	\$ 1,420,992
Instructional student support	321,872
Administrative and financial support services	658
Operation and maintenance of plant services	4,077
Pupil transportation	132
Total Depreciation Expense - Governmental Activities	\$ 1,747,731
Business-type Activities: Food Service	\$ 35,671

NOTE 6 TRANSFERS

The composition of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer To	Amount	Transfer From	Amount
Capital Projects Fund	\$ 2,350,000	General Fund	\$ 2,350,000

Transfers represent funds transferred from the General Fund to set aside funds for future capital needs.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 7 GENERAL LONG-TERM DEBT

The following summarizes the changes in general long-term debt for the year ended June 30, 2013:

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
Bonds payable	\$ 44,840,000	\$ -	\$ 3,070,000	\$ 41,770,000
Premiums on bonds	297,413	-	22,038	275,375
Discounts on bonds	(279,044)	-	(24,770)	(254,274)
Deferred charges on refunding	(2,243,416)	-	(181,820)	(2,061,596)
Capital lease payable	214,138	120,580	139,954	194,764
Accumulated compensated absences	834,707	-	54,955	779,752
TOTALS	<u>\$ 43,663,798</u>	<u>\$ 120,580</u>	<u>\$ 3,080,357</u>	<u>\$ 40,704,021</u>

General Obligation Bonds:

In 2009, the District issued \$7,290,000 in general obligation bonds to refund \$7,565,000 of general obligation bonds, Series 2003 and 2003A. The interest rate varies from 2.0% to 4.125%. The bonds mature through February 2024.

\$ 5,075,000

In 2009, the District issued \$3,325,000 in general obligation bonds to refund 3,282,510 of general obligation notes, Series 2009. The interest rate varies from 2.0% to 3.8%. The bonds mature through February 2020.

2,155,000

In 2009, the District issued \$8,530,000 in general obligation bonds to refund \$8,423,703 of general obligation bonds, Series 2005. The interest rate varies from 2.0% to 3.25%. The bonds mature through February 2020.

6,600,000

In 2009, the District issued \$22,370,000 in general obligation notes to refund \$21,000,000 of general obligation bonds, Series 2008. The interest rate varies from 2.0% to 5.0%. The bonds mature through November 2028.

20,545,000

In 2010, the District issued \$8,070,000 in general obligation bonds to refund \$7,565,000 of general obligation bonds, Series 2005. The interest varies from 2.0% to 3.375%. The bonds mature through February 2022.

6,400,000

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.

995,000

TOTAL

\$ 41,770,000

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 7 GENERAL LONG-TERM DEBT (cont'd)

Bonds payable is comprised of the following:

Bonds payable, at face	\$ 41,770,000
Unamortized discount	(254,274)
Unamortized premium	<u>275,375</u>
Bonds payable, net	<u>\$ 41,791,101</u>

Amounts due in one year	\$ 3,147,269
Amounts due after one year	<u>38,643,832</u>

Bonds payable, net	<u>\$ 41,791,101</u>
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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 June 30,</u>	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Total Maturities</u>
2014	\$ 3,150,000	\$ 1,477,267	\$ 4,627,267
2015	3,250,000	1,382,030	4,632,030
2016	3,360,000	1,278,640	4,638,640
2017	3,490,000	1,151,922	4,641,922
2018	3,605,000	1,032,142	4,637,142
2019-2023	14,676,429	3,541,132	18,217,561
2024-2028	8,448,571	1,395,127	9,843,698
2029	<u>1,790,000</u>	<u>38,485</u>	<u>1,828,485</u>
TOTAL	<u>\$ 41,770,000</u>	<u>\$ 11,296,745</u>	<u>\$ 53,066,745</u>

NOTE 8 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.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 8 CAPITAL LEASES (cont'd)

The assets acquired through the capital leases are as follows:

Equipment	\$ 283,463
Less: Accumulated depreciation	<u>(141,533)</u>
Total	<u>\$ 141,930</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2013 are as follows:

Year Ending June 30,

2014	\$ 110,640
2015	72,205
2016	<u>33,230</u>
Total minimum lease payments	216,075
Less: Amount representing interest	<u>(21,311)</u>
Present value of minimum lease payments	<u>\$ 194,764</u>

Total expenditures under these leases amounted to \$153,590 during the fiscal year ended June 30, 2013.

NOTE 9 FUND BALANCES

As of June 30, 2013, fund balances are composed of the following:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Restricted: Capital	\$ -	\$ 3,625,065	\$ 3,625,065
Committed: ERIP	1,500,000	-	1,500,000
Assigned: PSERS	1,000,000	-	1,000,000
Unassigned	<u>3,311,913</u>	<u>-</u>	<u>3,311,913</u>
Total Fund Balances	<u>\$ 5,811,913</u>	<u>\$ 3,625,065</u>	<u>\$ 9,436,978</u>

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 10 PENSION PLAN

Plan Description

Lower Moreland Township School District contributes to the Public School Employees' Retirement System ("PSERS"), a governmental cost-sharing multiple-employer defined benefit pension plan administered by the Commonwealth of Pennsylvania Public School Employees' Retirement System. The PSERS provides retirement and disability, legislatively mandated *ad hoc* cost-of-living adjustments and certain healthcare insurance premium assistance to plan members and beneficiaries. The Public School Employees' Retirement Code (Act No. 96, of October 2, 1975, as amended) provides the authority to establish and amend benefit provisions. The PSERS issues a comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Public School Employees' Retirement System, P.O. Box 125, Harrisburg, PA 17108-0125.

Funding Policy

The contribution policy is established in the Public School Employees' Retirement Code and requires contributions by active and inactive members, employers and the Commonwealth. The state legislature passed and on May 17, 2001, Governor Ridge signed Act 9, a major piece of pension legislation. Active or inactive members of PSERS as of July 1, 2001 had the choice to elect a new membership class "TD" to receive a higher benefit formula. Upon qualifying and filing appropriate election forms, class TD members make employee contributions of 6.50 percent (if contributed 5.25 percent in the past) or 7.50 percent (if contributed 6.25 percent in the past) effective January 1, 2002, provided the member continues as an active member after this date. Members not making the election continue to contribute 5.25 percent or 6.25 percent as required in the past. Contributions required of employers are based upon an actuarial valuation. For fiscal year ended June 30, 2013, the rate of employer contribution was 12.36 percent of covered payroll. The District's contributions to PSERS for the years ended June 30, 2011, 2012 and 2013 were \$1,061,660, \$1,587,660 and \$2,296,870, respectively, and were equal to the required contributions for each year. The Commonwealth contributes to PSERS by reimbursing the District 50 percent of its contribution each year.

NOTE 11 CONTINGENCIES

The District participates in both state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors 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 12 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 2012-2013 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 13 COMMITMENTS

Capital Improvement Commitments

As of June 30, 2013, the District is committed to capital projects for the Murray Avenue High School field restoration project. Anticipated construction commitments are as follows:

	<u>Contract Amount</u>	<u>Completed at 06/30/2013</u>	<u>Commitment</u>
Capital projects	\$ 585,096	\$ 148,207	\$ 436,889

In addition, the District has incurred costs in the amount of \$7,392 that were not under a formal construction commitment as of June 30, 2013.

Equipment Purchase Commitment

The District is committed to the purchase of computer equipment from SHI International Corporation. This purchase will be under a capital lease with a four-year term with total principal payments of \$133,340.

NOTE 14 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, 2013 was \$68,571.

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2014	\$ 67,926
2015	48,674
2016	11,028
	<u>\$ 127,628</u>

NOTE 15 POST-EMPLOYMENT HEALTHCARE PLAN

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.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 15 POST-EMPLOYMENT HEALTHCARE PLAN (cont'd)

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. For fiscal year 2013, the District contributed \$84,621 to the plan for current premiums and plan members receiving benefits contributed \$5,435 through their required contributions.

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	\$ 258,583
Interest on net OPEB obligation	7,282
Adjustment to annual required contribution	(9,935)
Annual OPEB cost (expense)	255,930
Contributions made	(243,647)
Increase in net OPEB obligation	12,283
Net OPEB obligation - beginning of year	161,832
Net OPEB obligation - end of year	\$ 174,115

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]
03/01/2012	\$ -	\$ 2,027,488	\$ 2,027,488	0.00%	\$ 17,861,498	11.35%
03/01/2010	\$ -	\$ 2,757,330	\$ 2,757,330	0.00%	\$ 16,160,198	17.06%
03/01/2008	\$ -	\$ 2,860,722	\$ 2,860,722	0.00%	\$ 14,005,143	20.43%

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 15 POST-EMPLOYMENT HEALTHCARE PLAN (cont'd)

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 healthcare cost trends. 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.

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 liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the March 1, 2012 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.50 percent investment rate of return and an annual healthcare cost trend rate of 7.5 percent in 2012, decreasing by 0.5% per year to 5.5% in 2016. Rates gradually decrease from 5.3 percent in 2017 to 4.2% in 2089 and later based on the Society of Actuaries Long-run Medical Cost Trend Model, reduced by decrements to an ultimate rate of five percent in 2017 or later. The UAAL is being amortized based on the level dollar, 30-year open period. The remaining amortization period at June 30, 2013 was 25 years.

NOTE 16 RESTATEMENT OF NET POSITION

The District has decreased its July 1, 2011 net position by \$282,569 due to the effects of implementing GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities," which requires bond issuance costs to be expensed when incurred. In addition, amortization of bond issuance costs in the amount of \$27,531 has also been removed from the amounts reported for the year ended June 30, 2012. The total effect as a result of implementing GASB Statement No. 65 was a decrease to the net position in the amount of \$255,038 as of June 30, 2012.

NOTE 17 SUBSEQUENT EVENTS

The District has evaluated all subsequent events through December 9, 2013, the date the financial statements were available to be issued.

INDEPENDENT AUDITOR'S
REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

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December 9, 2013

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lower Moreland Township School District, Huntingdon Valley, Pennsylvania, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Lower Moreland Township School District's basic financial statements, and have issued our report thereon dated December 9, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 Lower Moreland Township School District's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Board of Directors
Lower Moreland Township School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


BARBACANE, THORNTON & COMPANY LLP

INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133

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December 9, 2013

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

Report on Compliance for Each Major Federal Program

We have audited Lower Moreland Township School District's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on Lower Moreland Township School District's major federal program for the year ended June 30, 2013. Lower Moreland Township School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and recommendations.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Lower Moreland Township School District's major federal program 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 OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Those standards and OMB Circular A-133 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 Lower Moreland Township School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Board of School Directors
Lower Moreland Township School District

Opinion on Each Major Federal Program

In our opinion, Lower Moreland Township School District, Huntingdon Valley, Pennsylvania, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Lower Moreland Township School District, Huntingdon Valley, Pennsylvania, 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 Lower Moreland Township School District's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 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.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


BARBACANE, THORNTON & COMPANY LLP

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

FEDERAL GRANTOR/PASS-THROUGH GRANTOR PROJECT TITLE	SOURCE CODE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	GRANT PERIOD BEGINNING / ENDING DATES	GRANT AMOUNT	TOTAL RECEIVED FOR THE YEAR	ACCRUED (DEFERRED) REVENUE AT 07/01/2012	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED / (DEFERRED) REVENUE AT 06/30/2013
U.S. Department of Education										
Passed through the Montgomery County Intermediate Unit										
I.D.E.A. Part B	I	84.027	062-11-0233	07/01/11 - 06/30/12	304,756	\$ 131,188	\$ 131,188	\$ -	\$ -	\$ -
I.D.E.A. Part B	I	84.027	062-11-0233	07/01/12 - 06/30/13	331,204	178,438	-	331,204	331,204	152,766
Total CFDA # 84.027						309,626	131,188	331,204	331,204	152,766
U.S. Department of Education										
Passed through the PA Department of Education										
Title I - Improving Basic Programs	I	84.010	013-110233	07/01/11 - 09/30/12	68,536	10,128	678	9,450	9,450	-
Title I - Improving Basic Programs	I	84.010	013-110233	07/01/12 - 09/30/13	163,892	105,924	-	101,413	101,413	(4,511)
Total CFDA # 84.010						116,052	678	110,863	110,863	(4,511)
Title II - Improving Teacher Quality	I	84.367	020-110233	07/01/11 - 09/30/12	41,280	-	(198)	198	198	-
Title II - Improving Teacher Quality	I	84.367	020-110233	07/01/12 - 09/30/13	43,053	39,228	-	35,463	35,463	(3,765)
Total CFDA# 84.367						39,228	(198)	35,661	35,661	(3,765)
Title III - Language Instruction for Limited English Proficient and Immigrant Students	I	84.365	010-110233	07/01/10 - 09/30/11	27,193	13,597	13,597	-	-	-
Title III - Language Instruction for Limited English Proficient and Immigrant Students	I	84.365	010-110233	07/01/11 - 09/30/12	33,978	22,949	401	22,548	22,548	-
Title III - Language Instruction for Limited English Proficient and Immigrant Students	I	84.365	010-110233	07/01/12 - 09/30/13	30,146	21,924	-	22,875	22,875	951
Total CFDA # 84.365						58,470	13,998	45,423	45,423	951
Total U.S. Department of Education						523,376	145,666	523,151	523,151	145,441
U.S. Department of Agriculture										
Passed through the PA Department of Agriculture										
National School Lunch Program - Commodities	I	10.555	N/A	07/01/12 - 06/30/13		29,062	-	29,062	29,062	-
U.S. Department of Education										
Passed through the PA Department of Education										
National School Lunch Program	I	10.555	N/A	07/01/11 - 06/30/12	N/A	9,863	9,863	-	-	-
National School Lunch Program	I	10.555	N/A	07/01/11 - 06/30/12	N/A	50,843	-	62,859	62,859	12,016
Total CFDA # 10.555						89,768	9,863	91,921	91,921	12,016
Total U.S. Department of Agriculture						89,768	9,863	91,921	91,921	12,016
TOTAL FEDERAL AWARDS						\$ 613,144	\$ 155,529	\$ 615,072	\$ 615,072	\$ 157,457

Source Code:
I = Indirect

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A SCOPE OF THIS SCHEDULE

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

NOTE B BASIS OF ACCOUNTING

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

NOTE C NONMONETARY FEDERAL AWARDS - DONATED FOOD

The Commonwealth of Pennsylvania distributes federal surplus food to institutions (schools, hospitals and prisons) and to the needy. Expenditures reported in the schedule of expenditures of federal awards under CFDA #10.555 National School Lunch Program - Commodities represent surplus food consumed by the District during the 2012 - 2013 fiscal year.

NOTE D BUILD AMERICA BONDS

The District was eligible to participate in the School Construction Bonds Program through the American Recovery and Reinvestment Act. As such, the District is eligible for reimbursement of certain amounts relating to the future debt service due on the bonds. These reimbursements are not considered federal financial assistance. The amount recognized for the year ended June 30, 2013 was \$50,200.

NOTE E ACCESS PROGRAM

The ACCESS Program is a medical assistance program that reimburses local educational agencies for direct eligible health-related services provided to enrolled special needs students. Reimbursements are federal source revenues but are classified as fee-for-service and are not considered federal financial assistance. The amount of ACCESS funding recognized for the year ended June 30, 2013 was \$84,469.

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS

PART A - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued [*unmodified, qualified, adverse or disclaimer*]:

Unmodified

Internal control over financial reporting:

- | | | |
|---|-------------------|----------------------------|
| • Material weakness(es) identified? | <u> </u> Yes | <u> X </u> No |
| • Significant deficiency(ies) identified? | <u> </u> Yes | <u> X </u> None reported |
| • Noncompliance material to financial statements noted? | <u> </u> Yes | <u> X </u> No |

Federal Awards

Internal control over major programs:

- | | | |
|---|-------------------|----------------------------|
| • Material weakness(es) identified? | <u> </u> Yes | <u> X </u> No |
| • Significant deficiency(ies) identified? | <u> </u> Yes | <u> X </u> None reported |

Type of auditor's report issued on compliance for major programs [*unmodified, qualified, adverse or disclaimer*]:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?

 Yes X No

Identification of major program:

CFDA Number

Name of Federal Program or Cluster

84.027

IDEA

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

 Yes X No

LOWER MORELAND TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONT'D)

PART B - FINDINGS RELATED TO FINANCIAL STATEMENTS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

PART C - FINDINGS RELATED TO FEDERAL AWARDS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.