UPPER MERION AREA SCHOOL DISTRICT

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Year Ended June 30, 2021

Maillie®
ACCOUNTANTS • ADVISORS

INTRODUCTORY SECTION

UPPER MERION AREA SCHOOL DISTRICT

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FINANCIAL SECTION

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Independent Auditors' Report

To the Board of School Directors
Upper Merion Area School District
King of Prussia, Pennsylvania

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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 Upper Merion Area School District, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 15, budgetary comparison information on pages 64 and 65, schedule of the school district's proportionate share of the PSERS net pension liability on page 66, schedule of the school district's PSERS pension contributions on page 67, schedule of the school district's proportionate share of the PSERS net other postemployment benefit plan liability on page 68, schedule of the school district's PSERS other postemployment benefit plan contributions on page 69 and schedule of changes in the total other postemployment benefit plan liability and related ratios on page 70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the Board of School Directors
Upper Merion Area School District
King of Prussia, Pennsylvania

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Upper Merion Area School District's basic financial statements. The supplementary information listed in the table of contents and the schedule of expenditures of federal and certain state awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information and the schedule of expenditures of federal and certain state awards are the responsibility of management and were derived from and relate 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 to the Board of School Directors certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the schedule of expenditures of federal and certain state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2021, on our consideration of the Upper Merion Area 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 the effectiveness of 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 Upper Merion Area School District's internal control over financial reporting and compliance.

Maillie LLP

Limerick, Pennsylvania
November 12, 2021

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

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in its Statement No. 34, *Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments,* issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

SCHOOL DISTRICT HIGHLIGHTS

Upper Merion Area School District is comprised of the municipal subdivisions of the Borough of Bridgeport, the Borough of West Conshohocken and Upper Merion Township in Montgomery County, Pennsylvania, and covers an area of approximately 19 square miles. The School District had an enrollment of 4,148 students in 2020-21. The School District employs approximately 374 professional staff, 286 support staff and 25 administrators.

Upper Merion Area School District consists of five elementary schools, one middle school and one high school.

The School District's commitment to providing an excellent education for each student can be seen in the quality of programs and opportunities the School District maintains and supports.

FINANCIAL HIGHLIGHTS

The School District's budget is prepared according to Pennsylvania law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The School District uses site-based budgeting, and the budgeting system is designed to tightly control total site budgets but provide flexibility for site management.

Overall operating expenditures of the General Fund were $107,433,084. Actual operating revenues exceeded actual operating expenses by $12,280,580.

OVERVIEW OF THE FINANCIAL STATEMENTS

The accompanying financial statements have been prepared in accordance with GASB Statement No. 34 and present both government-wide and fund level financial statements using both the accrual and modified accrual basis of accounting, respectively.

This annual report consists of three parts: Management's Discussion and Analysis (this section), the basic financial statements and the required supplementary information. The basic financial statements include two kinds of statements that present different views of the School District.

- The first two statements are *government-wide financial statements* that provide both short-term and long-term information about the School District's overall financial status.

- The remaining statements are *fund financial statements* that focus on individual parts of the School District, reporting the School District's operations in more detail than the government-wide statements.

  The **Governmental Funds** statements tell how basic services, such as regular and special education, were financed in the short term, as well as what remains for future spending.

  Proprietary Funds statements offer short- and long-term financial information about the activities the School District operates like businesses, such as food services.

  Fiduciary Funds statements provide information about the financial relationships in which the School District acts solely as a trustee or agent for the benefit of others.

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 the Financial Section are arranged and relate to one another.

Figure A-1
Organization of the Upper Merion Area School District Annual Financial Report

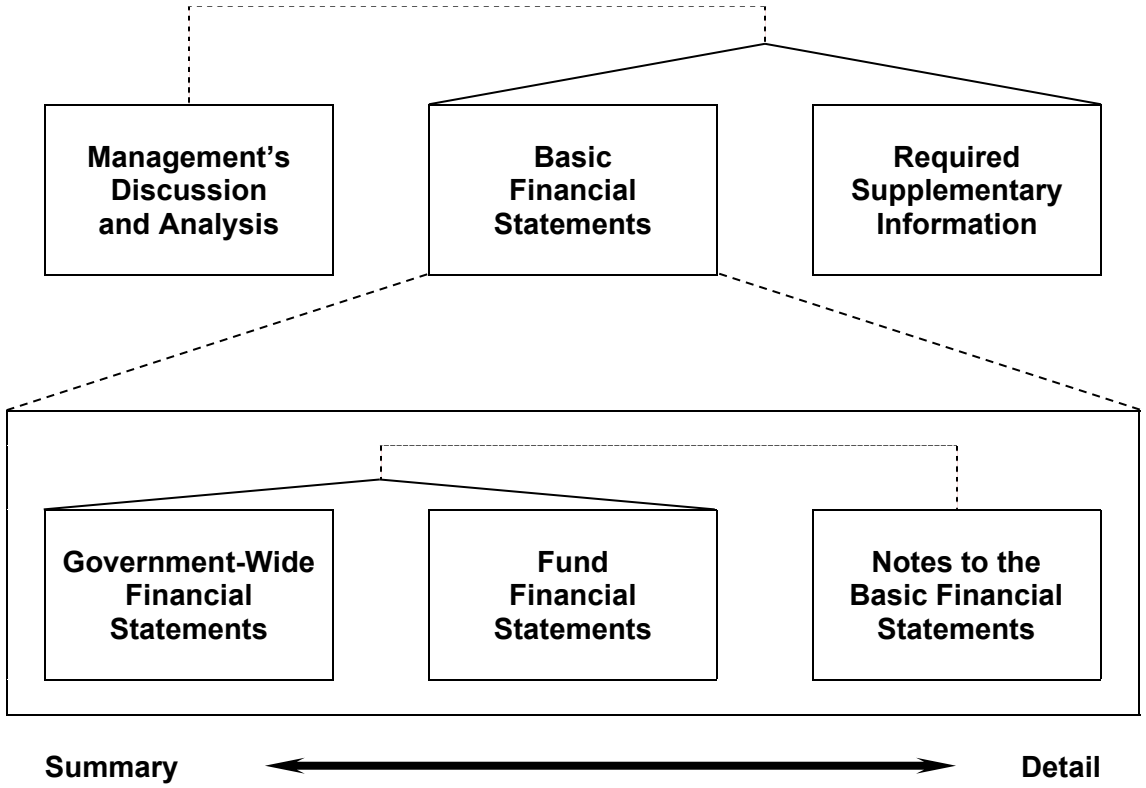


Figure A-2 summarizes the major features of the School District's financial statements, including the portion of the School District they cover and the types of information they contain. The remainder of this overview section of the MD&A explains the structure and contents of each of the statements.

Figure A-2
Major Features of the Government-Wide and Fund Financial Statements

	Government-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School District (except Fiduciary Funds)	The activities of the School District that are not proprietary or fiduciary, such as education, administration and community services	Activities the School District operates similar to private businesses--food services	Instances in which the School 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 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 focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets 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 the 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 and payment is due during the year thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the School District's net position and how they have changed. Net position, the difference between the School District's assets and liabilities, is one way to measure the School District's financial health or position.

- Over time, increases or decreases in the School District's net position are an indication of whether its financial health is improving or deteriorating, respectively.

- To assess the overall health of the School District, you need to consider additional non-financial factors, such as changes in the School District's property tax base and the performance of the students.

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

- ***Governmental Activities***: All the School 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 School District operates a food service operation and charges fees to staff, students and visitors to help cover the costs of the food service operation. The School District operates an extended day program and charges fees to students to cover the cost of the extended day program.

FUND FINANCIAL STATEMENTS

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

- ***Governmental Funds***. Most of the School 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 an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The Governmental Funds statements provide a detailed short-term view of the School District's operations and the services it provides. Governmental Funds information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and Governmental Funds is reconciled in the financial statements.

- ***Proprietary Funds***. These funds are used to account for the School 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 School District charges customers for services it provides--whether to outside customers or to other units in the School District--these services are generally reported in Proprietary Funds. The Food Service and Extended Day Funds are the School District's Proprietary Funds and are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

- ***Fiduciary Funds***. The School District is the trustee, or fiduciary, for some Scholarship and Extracurricular Funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net position. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Net Position

The following tables reflect the condensed statements of net position for the current and prior periods.

The School District's total net position was $(95,640,998) at June 30, 2021.

Table A-1
Condensed Statement of Net Position
June 30, 2021

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current and other assets	$ 168,704,535	$ 90,751	$ 168,795,286
Capital assets	153,538,220	56,883	153,595,103
TOTAL ASSETS	322,242,755	147,634	322,390,389
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources, OPEB	1,451,000	30,000	1,481,000
Deferred outflows of resources, pension activity	32,210,000	426,000	32,636,000
TOTAL DEFERRED OUTFLOWS OF RESOURCES	33,661,000	456,000	34,117,000
LIABILITIES			
Current and other liabilities	27,291,838	175,377	27,467,215
Long-term liabilities	413,439,581	2,373,591	415,813,172
TOTAL LIABILITIES	440,731,419	2,548,968	443,280,387
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources, OPEB	2,219,000	32,000	2,251,000
Deferred inflows of resources, pension activity	6,530,000	87,000	6,617,000
TOTAL DEFERRED INFLOWS OF RESOURCES	8,749,000	119,000	8,868,000
NET POSITION			
Net investment in capital assets	33,349,427	56,883	33,406,310
Restricted	15,788,535	-	15,788,535
Unrestricted	(142,714,626)	(2,121,217)	(144,835,843)
TOTAL NET POSITION	$ (93,576,664)	$ (2,064,334)	$ (95,640,998)

The School District's total net position was $(77,642,122) at June 30, 2020.

Table A-2
Condensed Statement of Net Position
June 30, 2020

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current and other assets	$ 74,478,332	$ 250,707	$ 74,729,039
Capital assets	125,064,906	66,484	125,131,390
TOTAL ASSETS	199,543,238	317,191	199,860,429
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	30,885	-	30,885
Deferred outflows of resources, derivative instruments	40,757,434	-	40,757,434
Deferred outflows of resources, OPEB	1,425,891	18,030	1,443,921
Deferred outflows of resources, pension activity	27,583,000	361,000	27,944,000
TOTAL DEFERRED OUTFLOWS OF RESOURCES	69,797,210	379,030	70,176,240
LIABILITIES			
Current and other liabilities	27,295,322	93,280	27,388,602
Long-term liabilities	305,564,946	2,202,609	307,767,555
TOTAL LIABILITIES	332,860,268	2,295,889	335,156,157
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources, OPEB	1,666,720	21,914	1,688,634
Deferred inflows of resources, pension activity	10,695,000	139,000	10,834,000
TOTAL DEFERRED INFLOWS OF RESOURCES	12,361,720	160,914	12,522,634
NET POSITION			
Net investment in capital assets	20,027,747	66,484	20,094,231
Restricted	33,857,417	-	33,857,417
Unrestricted	(129,766,704)	(1,827,066)	(131,593,770)
TOTAL NET POSITION	$ (75,881,540)	$ (1,760,582)	$ (77,642,122)

A significant portion of the School District's net position is invested in capital assets (building, land and equipment) or in the form of invested bond proceeds to be used for future capital expenditures.

Statement of Activities

The results of this year's operations as a whole are reported in the statement of activities in the financial statements. The two largest general revenues are the Retirement Subsidy provided by the Commonwealth of Pennsylvania and the local taxes assessed to community taxpayers. Table A-3 takes the information from the statement of activities and rearranges it slightly, so you can see our total revenues for the year. The following tables reflect the revenues and expenses for the current and prior periods.

Table A-3
Changes in Net Position
Year Ended June 30, 2021

	Governmental Activities	Business-Type Activities	Totals
REVENUES			
Program revenues			
Charges for services	$ -	$ 31,940	$ 31,940
Operating grants and contributions	19,785,403	1,161,964	20,947,367
General revenues			
Property taxes	94,416,624	-	94,416,624
Other taxes	3,842,746	-	3,842,746
Investment earnings	289,145	80	289,225
Receipts from member districts	3,825	-	3,825
Other	1,885,922	200,000	2,085,922
TOTAL REVENUES	120,223,665	1,393,984	121,617,649
EXPENSES			
Instruction			
Regular programs	46,514,916	-	46,514,916
Special programs	17,086,480	-	17,086,480
Vocational programs	2,607,837	-	2,607,837
Other instructional programs	243,864	-	243,864
Support services			
Pupil personnel services	5,385,428	-	5,385,428
Instructional staff services	3,876,058	-	3,876,058
Administration services	7,558,921	-	7,558,921
Pupil health	1,461,865	-	1,461,865
Business services	1,043,369	-	1,043,369
Operation and maintenance of plant services	9,535,862	-	9,535,862
Student transportation services	3,955,301	-	3,955,301
Central services	2,366,988	-	2,366,988
Other support services	70,760	-	70,760
Non-instructional services			
Student activities	1,911,234	-	1,911,234
Community services	52,428	-	52,428
Facilities acquisition, construction and improvement	2,776,525	-	2,776,525
Refund of prior year revenues	189,491	-	189,491
Interest on long-term debt	26,772,030	-	26,772,030
Depreciation and amortization, unallocated	4,309,432	-	4,309,432
Other	200,000	-	200,000
Food service	-	1,697,736	1,697,736
TOTAL EXPENSES	137,918,789	1,697,736	139,616,525
CHANGE IN NET POSITION	(17,695,124)	(303,752)	(17,998,876)
NET POSITION, BEGINNING	(75,881,540)	(1,760,582)	(77,642,122)
NET POSITION, ENDING	$ (93,576,664)	$ (2,064,334)	$ (95,640,998)

Table A-4
Changes in Net Position
Year Ended June 30, 2020

	Governmental Activities	Business-Type Activities	Totals
REVENUES			
Program revenues			
Charges for services	$ -	$ 823,755	$ 823,755
Operating grants and contributions	17,925,106	1,311,856	19,236,962
General revenues			
Property taxes	87,797,960	-	87,797,960
Other taxes	3,269,471	-	3,269,471
Investment earnings	1,512,742	6,054	1,518,796
Receipts from member districts	15,070	-	15,070
Other	1,758,311	1,417,314	3,175,625
TOTAL REVENUES	112,278,660	3,558,979	115,837,639
EXPENSES			
Instruction			
Regular programs	45,357,371	-	45,357,371
Special programs	16,776,734	-	16,776,734
Vocational programs	2,922,909	-	2,922,909
Other instructional programs	163,989	-	163,989
Support services			
Pupil personnel services	5,390,217	-	5,390,217
Instructional staff services	3,959,954	-	3,959,954
Administration services	5,423,266	-	5,423,266
Pupil health	1,410,973	-	1,410,973
Business services	1,060,845	-	1,060,845
Operation and maintenance of plant services	9,332,491	-	9,332,491
Student transportation services	4,094,041	-	4,094,041
Central services	1,758,603	-	1,758,603
Other support services	67,376	-	67,376
Non-instructional services			
Student activities	2,039,017	-	2,039,017
Community services	82,659	-	82,659
Facilities acquisition, construction and improvement	2,975,323	-	2,975,323
Refund on prior year revenues	290,665	-	290,665
Interest on long-term debt	3,686,039	-	3,686,039
Depreciation and amortization, unallocated	4,438,720	-	4,438,720
Food service	-	2,072,568	2,072,568
Extended day	-	160,654	160,654
TOTAL EXPENSES	111,231,192	2,233,222	113,464,414
CHANGE IN NET POSITION	1,047,468	1,325,757	2,373,225
NET POSITION, BEGINNING	(76,929,008)	(3,086,339)	(80,015,347)
NET POSITION, ENDING	$ (75,881,540)	$ (1,760,582)	$ (77,642,122)

Analysis of these tables indicates that the total net position for governmental activities decreased by $17,695,124.

Business-type activities show a $303,752 decrease in total net position.

Capital Assets - At June 30, 2021, the School District had $153,538,220 invested in a broad range of capital assets, including land, buildings and furniture and equipment.

Table A-5
Government-Wide Activities
Capital Assets - Net of Depreciation

	2021	2020
Land	$ 3,778,132	$ 3,778,132
Construction in progress	35,355,367	3,754,864
Buildings and site improvements	111,403,785	113,852,319
Furniture and equipment	3,000,936	3,746,075
TOTAL	$ 153,538,220	$ 125,131,390

Debt Administration - As of July 1, 2020, the School District had total outstanding bond principal of $87,540,000. During the year, the School District made net payments against principal of $3,475,000 and completed additional bond issues in the amount of $123,360,000, resulting in ending outstanding debt as of June 30, 2021, of $207,425,000.

Table A-6
Outstanding Debt

	2021	2020
GENERAL OBLIGATION BONDS		
Series of 2012	$ 4,470,000	$ 5,615,000
Series of 2013	3,265,000	3,615,000
Series of 2014	2,845,000	4,225,000
Series of 2016	34,595,000	35,185,000
Series of 2017	28,900,000	28,905,000
Series of 2019	9,990,000	9,995,000
Series of 2020	22,160,000	-
Series of 2021A	94,595,000	-
Series of 2021B	6,605,000	-
TOTAL	$ 207,425,000	$ 87,540,000

Other obligations include compensated absences (accrued vacation pay and sick leave for specific employees of the School District) and capital leases. More detailed information about our long-term liabilities is included in the notes to the financial statements.

FOR THE FUTURE

As the preceding information shows, the School District maintains a healthy investment in fixed assets to support and provide comprehensive educational services, considers future implications of current and ongoing financial obligations and prudently manages its financial assets. Academic performance is supported by regionally competitive per pupil spending. Balanced payment schedules on existing debt obligations should mean steady tax implications in the future.

Financial challenges face many school districts in the state of Pennsylvania and Upper Merion Area School District is not alone in this regard. With the passage of Act 1 of 2006, school districts are faced with a cap on the money that can be funded from a property tax increase. The cap is an inflationary index annually calculated by the Pennsylvania Department of Education (PDE). Act 1 does provide for some exceptions that permit districts to increase property taxes in excess of the cap. Exceptions are approved by the PDE. Limited tax relief arrived starting in the 2008-2009 fiscal year as the state distributed a portion of gambling revenue to offset real estate tax increases. The School District was fortunate to receive $611,420 in the 2020-2021 fiscal year that offset property taxes for those property owners who qualified for the homestead exemption.

The 2020-2021 school year was a particularly strong year financially for the Upper Merion Area School District. The District was able to make a $13,000,000 transfer to the Capital Reserve Fund. In addition, the District assigned $9,800,000 of general fund balance for retirement stabilization ($4,600,000), tax assessment appeal refunds ($2,000,000), future technology purchases ($1,000,000), food service stabilization ($1,000,000), and transportation ($1,200,000). Finally, the unassigned fund balance decreased slightly from $8,966,495 to $8,648,594.

Upper Merion Area School District faces the common problem of escalating costs for employee benefits, particularly the medical benefit cost and the retirement expense of the PSERS system. Each of these costs is established by outside influences and is not, in large part, a discretionary cost that can be controlled by the School District.

Upper Merion Area School District has committed itself to educational and financial excellence. The District's system of budgeting and internal controls is well regarded and consistently followed. Continued diligence in all financial matters will be a key component of continued successful financial performance well into the future.

CONTACTING THE SCHOOL DISTRICT FINANCIAL MANAGEMENT

The financial report is designed to provide the citizens, taxpayers, parents, students, investors and creditors with a general overview of the School District's finances and to show the District's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact Michael Keeley, Business Administrator, Upper Merion Area School District, 435 Crossfield Road, King of Prussia, PA 19406-2363, 610-205-6400, mkeeley@umasd.org or visit the School District's website at www.umasd.org.

UPPER MERION AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2021

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and cash equivalents	$ 48,777,161	$ 13,585	$ 48,790,746
Investments	6,255,665	-	6,255,665
Restricted cash and cash equivalents	106,422,710	-	106,422,710
Receivables, net	1,947,432	-	1,947,432
Due from other governments	5,016,567	283,384	5,299,951
Internal balances	285,000	(285,000)	-
Inventories	-	78,782	78,782
Capital assets			
Land	3,778,132	-	3,778,132
Construction in progress	35,355,367	-	35,355,367
Buildings and site improvements	164,202,043	-	164,202,043
Furniture and equipment	18,870,350	412,870	19,283,220
Accumulated depreciation	(68,667,672)	(355,987)	(69,023,659)
TOTAL ASSETS	322,242,755	147,634	322,390,389
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources, OPEB	1,451,000	30,000	1,481,000
Deferred outflows of resources, pension activity	32,210,000	426,000	32,636,000
TOTAL DEFERRED OUTFLOWS OF RESOURCES	33,661,000	456,000	34,117,000
LIABILITIES			
Accounts payable	12,706,039	37,942	12,743,981
Accrued salaries and benefits	11,588,445	47,002	11,635,447
Accrued interest	2,994,179	-	2,994,179
Unearned revenue	3,176	90,433	93,609
Long-term liabilities			
Portion due or payable within one year			
Bonds payable	3,670,000	-	3,670,000
Bond premiums and discounts, net	1,057,570	-	1,057,570
Compensated absences	606,545	4,352	610,897
Portion due or payable after one year			
Bonds payable	203,755,000	-	203,755,000
Bond premiums and discounts, net	21,142,006	-	21,142,006
Compensated absences	5,458,903	39,168	5,498,071
Net pension liability	168,700,000	2,209,000	170,909,000
Net OPEB liability	9,049,556	121,071	9,170,627
TOTAL LIABILITIES	440,731,419	2,548,968	443,280,387
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources, OPEB	2,219,000	32,000	2,251,000
Deferred inflows of resources, pension activity	6,530,000	87,000	6,617,000
TOTAL DEFERRED INFLOWS OF RESOURCES	8,749,000	119,000	8,868,000
NET POSITION			
Net investment in capital assets	33,349,427	56,883	33,406,310
Restricted	15,788,535	-	15,788,535
Unrestricted	(142,714,626)	(2,121,217)	(144,835,843)
TOTAL NET POSITION	$ (93,576,664)	$ (2,064,334)	$ (95,640,998)

See accompanying notes to the basic financial statements.

UPPER MERION AREA SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
Instruction				
Regular programs	$ 46,514,916	$ -	$ 7,348,759	$ -
Special programs	17,086,480	-	3,846,961	-
Vocational programs	2,607,837	-	229,687	-
Other instructional programs	243,864	-	4,314,158	-
Support services				
Pupil personnel services	5,385,428	-	677,848	-
Instructional staff services	3,876,058	-	282,644	-
Administration services	7,558,921	-	540,406	-
Pupil health	1,461,865	-	179,077	-
Business services	1,043,369	-	106,163	-
Operation and maintenance of plant services	9,535,862	-	821,230	-
Student transportation services	3,955,301	-	725,238	-
Central services	2,366,988	-	147,630	-
Other support services	70,760	-	-	-
Non-instructional services				
Student activities	1,911,234	-	227,335	-
Community services	52,428	-	-	-
Facilities acquisition, construction and improvement	2,776,525	-	-	-
Refund of prior year revenues	189,491	-	-	-
Interest on long-term debt	26,772,030	-	338,267	-
Depreciation and amortization, unallocated	4,309,432	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	137,718,789	-	19,785,403	-
BUSINESS-TYPE ACTIVITIES				
Food service	1,697,736	31,940	1,161,964	-
TOTAL BUSINESS-TYPE ACTIVITIES	1,697,736	31,940	1,161,964	-
TOTAL SCHOOL DISTRICT ACTIVITIES	$ 139,416,525	$ 31,940	$ 20,947,367	$ -

GENERAL REVENUES

Property taxes, levied for general purposes

Occupational, real estate transfer and amusement taxes

Public utility taxes

Investment earnings

Receipts from member districts

Miscellaneous

TRANSFERS

TOTAL GENERAL REVENUES AND TRANSFERS

CHANGE IN NET POSITION

NET POSITION AT BEGINNING OF YEAR

NET POSITION AT END OF YEAR

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Totals
$ (39,166,157)	$ -	$ (39,166,157)
(13,239,519)	-	(13,239,519)
(2,378,150)	-	(2,378,150)
4,070,294	-	4,070,294
(4,707,580)	-	(4,707,580)
(3,593,414)	-	(3,593,414)
(7,018,515)	-	(7,018,515)
(1,282,788)	-	(1,282,788)
(937,206)	-	(937,206)
(8,714,632)	-	(8,714,632)
(3,230,063)	-	(3,230,063)
(2,219,358)	-	(2,219,358)
(70,760)	-	(70,760)
(1,683,899)	-	(1,683,899)
(52,428)	-	(52,428)
(2,776,525)	-	(2,776,525)
(189,491)	-	(189,491)
(26,433,763)	-	(26,433,763)
(4,309,432)	-	(4,309,432)
(117,933,386)	-	(117,933,386)
-	(503,832)	(503,832)
-	(503,832)	(503,832)
(117,933,386)	(503,832)	(118,437,218)
94,416,624	-	94,416,624
3,756,629	-	3,756,629
86,117	-	86,117
289,145	80	289,225
3,825	-	3,825
1,885,922	-	1,885,922
(200,000)	200,000	-
100,238,262	200,080	100,438,342
(17,695,124)	(303,752)	(17,998,876)
(75,881,540)	(1,760,582)	(77,642,122)
$ (93,576,664)	$ (2,064,334)	$ (95,640,998)

UPPER MERION AREA SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

	General Fund	Capital Reserve Fund	Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 44,877,822	$ 3,899,339	$ -	$ 48,777,161
Investments	1,254,377	5,001,288	-	6,255,665
Restricted cash and cash equivalents	-	-	106,422,710	106,422,710
Taxes receivable, net	1,878,806	-	-	1,878,806
Other receivables	68,626	-	-	68,626
Due from other governments	5,016,567	-	-	5,016,567
Due from other funds	485,000	13,000,000	-	13,485,000
TOTAL ASSETS	$ 53,581,198	$ 21,900,627	$ 106,422,710	$ 181,904,535
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 9,607,020	$ 41,755	$ 3,057,264	$ 12,706,039
Accrued salaries and benefits	11,588,445	-	-	11,588,445
Unearned revenue	3,176	-	-	3,176
Due to other funds	13,200,000	-	-	13,200,000
TOTAL LIABILITIES	34,398,641	41,755	3,057,264	37,497,660
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues, property taxes	733,964	-	-	733,964
FUND BALANCES				
Restricted for capital projects	-	21,858,872	103,365,446	125,224,318
Assigned to				
Tax assessment appeal settlement refunds	2,000,000	-	-	2,000,000
Retirement stabilization	4,600,000	-	-	4,600,000
Food service stabilization	1,000,000	-	-	1,000,000
Technology purchases	1,000,000	-	-	1,000,000
Transportation	1,200,000	-	-	1,200,000
Unassigned	8,648,593	-	-	8,648,593
TOTAL FUND BALANCES	18,448,593	21,858,872	103,365,446	143,672,911
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 53,581,198	$ 21,900,627	$ 106,422,710	$ 181,904,535

See accompanying notes to the basic financial statements.

UPPER MERION AREA SCHOOL DISTRICT

RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2021

TOTAL GOVERNMENTAL FUNDS BALANCES	$	143,672,911
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. These assets consist of:		
Land		3,778,132
Construction in progress		35,355,367
Buildings and site improvements		164,202,043
Furniture and equipment		18,870,350
Accumulated depreciation		(68,667,672)
Deferred inflows and outflows of resources related to pension activities are not financial resources and therefore not reported in the governmental funds.		25,680,000
Deferred inflows and outflows of resources related to OPEB are not financial resources and therefore not reported in the governmental funds.		(768,000)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Accrued interest		(2,994,179)
Bonds payable		(207,425,000)
Bond premiums and discounts		(22,199,576)
Compensated absences		(6,065,448)
Net pension liability		(168,700,000)
Net OPEB liability		(9,049,556)
Some of the School District's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.		733,964
NET POSITION OF GOVERNMENTAL ACTIVITIES	$	(93,576,664)

See accompanying notes to the basic financial statements.

UPPER MERION AREA SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021

	General Fund	Capital Reserve Fund	Capital Projects Fund	Total Governmental Funds
REVENUES				
Local sources	$ 100,141,365	$ -	$ -	$ 100,141,365
State sources	16,223,095	-	-	16,223,095
Federal sources	3,349,204	-	-	3,349,204
TOTAL REVENUES	119,713,664	-	-	119,713,664
EXPENDITURES				
Instruction				
Regular programs	44,777,306	-	-	44,777,306
Special programs	16,548,844	-	-	16,548,844
Vocational programs	2,568,498	-	-	2,568,498
Other instructional programs	241,140	-	-	241,140
Support services				
Pupil personnel services	5,173,515	-	-	5,173,515
Instructional staff services	3,787,775	-	-	3,787,775
Administration services	6,094,289	-	3,973,193	10,067,482
Pupil health	1,405,932	-	-	1,405,932
Business services	1,010,211	-	-	1,010,211
Operation and maintenance of plant services	9,279,357	-	-	9,279,357
Student transportation services	3,945,704	-	-	3,945,704
Central services	2,320,877	-	-	2,320,877
Other support services	70,760	-	-	70,760
Non-instructional services				
Student activities	1,840,226	-	-	1,840,226
Community services	52,620	-	-	52,620
Refund of prior year revenues	189,491	-	-	189,491
Capital outlay	-	2,205,678	30,676,241	32,881,919
Debt service	8,126,540	15,000,000	6,809,000	29,935,540
TOTAL EXPENDITURES	107,433,085	17,205,678	41,458,434	166,097,197
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES FORWARD	$ 12,280,579	$ (17,205,678)	$ (41,458,434)	$ (46,383,533)

UPPER MERION AREA SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021

	General Fund	Capital Reserve Fund	Capital Projects Fund	Total Governmental Funds
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES FORWARDED	$ 12,280,579	$ (17,205,678)	$ (41,458,434)	$ (46,383,533)
OTHER FINANCING SOURCES (USES)				
Earnings from investments	-	34,506	19,298	53,804
Proceeds from bonds issued	-	-	123,360,000	123,360,000
Premium on bonds issued	-	-	13,617,209	13,617,209
Insurance recoveries	601,519	-	-	601,519
Transfers in	-	13,000,000	-	13,000,000
Transfers out	(13,200,000)	-	-	(13,200,000)
TOTAL OTHER FINANCING SOURCES (USES)	(12,598,481)	13,034,506	136,996,507	137,432,532
NET CHANGE IN FUND BALANCES	(317,902)	(4,171,172)	95,538,073	91,048,999
FUND BALANCES AT BEGINNING OF YEAR	18,766,495	26,030,044	7,827,373	52,623,912
FUND BALANCES AT END OF YEAR	$ 18,448,593	$ 21,858,872	$ 103,365,446	$ 143,672,911

See accompanying notes to the basic financial statements.

UPPER MERION AREA SCHOOL DISTRICT

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

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	$	91,048,999
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 capital outlays exceeds depreciation in the current period.		28,473,314
Because some property taxes will not be collected for several months after the School District's fiscal year ends, they are not considered as "available" revenues in the Governmental Funds. Deferred tax revenues decreased by this amount this year.		(145,321)
Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net position.		3,475,000
Net borrowings proceeds is an increase to the Governmental Funds balance; however, this is an increase to liabilities in the statement of net position.		(123,360,000)
Governmental Funds report premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of the differences in the treatment of these items.		(12,590,524)
In the statement of activities, certain operating expenses--compensated absences (vacation and sick leave) 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).		(210,246)
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in Governmental Funds:		
Accrued interest not reflected in Governmental Funds		(1,338,175)
Pension plan expense		(2,946,000)
The net change in the liability for the net OPEB liability is reported in the government-wide statements but not in the Governmental Funds statements.		(102,171)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$	(17,695,124)

See accompanying notes to the basic financial statements.

UPPER MERION AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2021

	Food Service Fund
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 13,585
Due from other governments	283,384
Inventories	78,782
Due from other funds	200,000
TOTAL CURRENT ASSETS	575,751
PROPERTY AND EQUIPMENT	412,870
Accumulated depreciation	(355,987)
PROPERTY AND EQUIPMENT, net	56,883
TOTAL ASSETS	632,634
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources, OPEB	30,000
Deferred outflows of resources, pension activity	426,000
TOTAL DEFERRED OUTFLOWS OF RESOURCES	456,000
LIABILITIES	
Accounts payable	37,942
Accrued payroll	47,002
Due to other funds	485,000
Unearned revenue	90,433
Long-term liabilities	
Portion due or payable within one year	
Compensated absences	4,352
Portion due or payable after one year	
Compensated absences	39,168
Net OPEB liability	121,071
Net pension liability	2,209,000
TOTAL LIABILITIES	3,033,968
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources, OPEB	32,000
Deferred inflows of resources, pension activity	87,000
TOTAL DEFERRED INFLOWS OF RESOURCES	119,000
NET POSITION	
Net investment in capital assets	56,883
Unrestricted	(2,121,217)
TOTAL NET POSITION	$ (2,064,334)

See accompanying notes to the basic financial statements.

UPPER MERION AREA SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2021

	Food Service Fund
OPERATING REVENUES	
Food service revenues	$ 31,940
OPERATING EXPENSES	
Salaries	638,246
Employee benefits	445,794
Other expenses	26,209
Supplies	577,886
Depreciation	9,601
TOTAL OPERATING EXPENSES	1,697,736
OPERATING LOSS	(1,665,796)
NONOPERATING REVENUES (EXPENSES)	
Transfers in	200,000
Earnings on investments	80
State sources	165,715
Federal sources	996,249
TOTAL NONOPERATING REVENUES	1,362,044
CHANGE IN NET POSITION	(303,752)
NET POSITION AT BEGINNING OF YEAR	(1,760,582)
NET POSITION AT END OF YEAR	$ (2,064,334)

See accompanying notes to the basic financial statements.

UPPER MERION AREA SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2021

	Food Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$ 45,785
Payments to employees	(851,717)
Payments to suppliers	(567,641)
NET CASH USED BY OPERATING ACTIVITIES	(1,373,573)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Interfund transfers	200,000
State sources	151,130
Federal sources	926,351
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	1,277,481
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on investments	80
NET DECREASE IN CASH AND CASH EQUIVALENTS	(96,012)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	109,597
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 13,585

UPPER MERION AREA SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2021

	Food Service Fund
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	$ (1,665,796)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	9,601
OPEB expense	(3,877)
Pension expense	40,000
Compensated absences	12,913
Increase in due from other funds	(200,000)
Decrease in inventories	5,809
Increase (decrease) in	
Accounts payable	36,454
Accrued payroll	34,859
Due to other funds	342,619
Unearned revenue	13,845
NET CASH USED BY OPERATING ACTIVITIES	$ (1,373,573)
SUPPLEMENTAL DISCLOSURES	
Noncash activities	
Donated foods	$ 130,864

See accompanying notes to the basic financial statements.

UPPER MERION AREA SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2021

	Private-Purpose Trust Fund	Custodial Funds
ASSETS		
Cash and cash equivalents	$ 135,465	$ 755,364
LIABILITIES AND NET POSITION		
LIABILITIES		
Other current liabilities	$ -	$ -
NET POSITION		
Restricted for scholarships	135,465	-
Restricted for custodial purposes	-	755,364
TOTAL NET POSITION	135,465	755,364
TOTAL LIABILITIES AND NET POSITION	$ 135,465	$ 755,364

See accompanying notes to the basic financial statements.

UPPER MERION AREA SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2021

	Private-Purpose Trust Fund	Custodial Funds
ADDITIONS		
Donations	$ 8,709	$ -
Collections	-	515,185
Investment income	86	423
TOTAL ADDITIONS	8,795	515,608
DEDUCTIONS		
Scholarships	19,370	-
Extra-curricular activities	-	341,647
TOTAL DEDUCTIONS	19,370	341,647
CHANGE IN NET POSITION	(10,575)	173,961
NET POSITION AT BEGINNING OF YEAR, restated*	146,040	581,403 *
NET POSITION AT END OF YEAR	$ 135,465	$ 755,364

See accompanying notes to the basic financial statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Upper Merion Area School District (the "School District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

Reporting Entity

Upper Merion Area School District is located in King of Prussia, Pennsylvania. The School District's tax base includes portions of Montgomery County and consists of the following townships and boroughs: Upper Merion Township and the Boroughs of Bridgeport and West Conshohocken.

The School District is a unit established, organized and empowered by the Commonwealth of Pennsylvania for the express purpose of carrying out on the local level the Commonwealth's obligation to public education, as established by the constitution of the Commonwealth and by the School Law Code of the same (Article II; Act 150, July 8, 1968).

The School District is governed by a board of nine school directors who are residents of the School District and who are elected every two years, on a staggered basis, for a four-year term.

The Board of School Directors has the power and duty to establish, equip, furnish and maintain a sufficient number of elementary, secondary and other schools necessary to educate eligible students between the ages of 5 and 21 years residing in such School District who may attend.

In order to establish, enlarge, equip, furnish, operate and maintain any schools, or to pay any school indebtedness which the School District is required to pay, the Board of School Directors is vested with all necessary authority and power annually to levy and collect the taxes required and granted by the legislature, in addition to the annual state appropriation, and is vested with all necessary power and authority to comply with and carry out any or all of the provisions of the Public School Code of 1949 as amended.

The accompanying basic financial statements comply with the provisions of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus,* in that the financial statements include all organizations, activities and functions for which the School District is financially accountable. Financial accountability is defined as the appointment of a voting majority of a component unit's board and either (1) the School District's ability to impose its will over a component unit, or (2) the possibility that the component unit will provide a financial benefit or impose a financial burden on the School District.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition, component units can be other organizations for which the nature and significance of their relationship with the School District are such that exclusion would cause the School District's financial statements to be misleading. This report presents the activities of the Upper Merion Area School District. The School District is not a component unit of another reporting entity nor does it have any component units.

Financial accountability is defined as the appointment of a voting majority of a component unit's board and either (1) the School District's ability to impose its will over a component unit or (2) the possibility that the component unit will provide a financial benefit or impose a financial burden on the School District. This report presents the activities of the Upper Merion Area School District. The School District is not a component unit of another reporting entity nor does it have any component units.

The tax collectors are elected officers who collect taxes on behalf of the municipalities in the School District and for the School District in the county. The School District regards the tax collectors' offices as separate entities and, therefore, does not account for their activity in the financial statements.

Basis of Presentation and Accounting

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for Fiduciary Funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the Proprietary Funds financial statements but differs from the manner in which Governmental Funds financial statements are prepared. Governmental Funds financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for Governmental Funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function or program of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Program revenues include charges paid by the recipient of the goods or services offered by the program 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 of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District. Expenses reported for functional activities include allocated indirect expenses.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements - Fund financial statements report detailed information about the School District. The focus of Governmental and Proprietary Funds financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Fiduciary Funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments are recorded only when payment is due. The financial statements for Governmental Funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All Proprietary Fund Types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

Proprietary Funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The principal operating revenues of the School District's Enterprise Funds are charges to customers for sales and services. Operating expenses for Enterprise Funds include cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Trust Funds are reported using the economic resources measurement focus.

When both restricted and unrestricted resources are available for use, it is the School District's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Accounting

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

Governmental Funds

General Fund - The General Fund is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available for any purpose provided it is expended or transferred according to the general laws of Pennsylvania.

Capital Project Funds - Capital Project Funds are used to account for financial resources to be used for the acquisition and construction of capital equipment and improvements in accordance with the applicable general obligation bond agreements. The School District's *Capital Reserve Fund* and *Capital Projects Fund* are accounted for in this fund type.

Proprietary Funds

Food Service Fund - The Food Service Fund is used to account for operations (1) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Funds

Trust and Custodial Funds - Trust and Custodial Funds are used to account for assets held by the School District in a trustee capacity or as a custodian for individuals.

Cash and Cash Equivalents

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

Investments

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

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

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

Short-Term Interfund Receivables/Payables

During the course of operations, transactions may occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the Governmental Funds balance sheet. Short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the statement of net position, except for amounts due between governmental and business-type activities, which, when present, are shown as internal balances.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories and Prepaid Items

Inventory of food and milk in the Food Service Fund consists of supplies purchased and donated food received from the federal government. The donated food is valued at fair market value in accordance with the *Manual of Accounting for Pennsylvania School Systems - Food Service Fund*. Food and supplies are carried at cost using the first-in, first-out method. Inventories of Governmental Funds are recorded as expenditures when consumed rather than when purchased.

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

Capital Assets

Capital assets, which include property, plant, equipment and construction in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The School District defines a capital asset as an asset with an initial, individual cost equal to or greater than $4,000 or purchased with debt proceeds and must also have an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market 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 asset lives are not capitalized.

Property, plant and equipment of the School District are depreciated using the straight-line method over the following estimated useful lives:

	Years
Site improvements	15-20
Buildings and building improvements	20-40
Furniture and equipment	5-20

Long-Term Obligations

In the government-wide financial statements and Proprietary Fund Types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or Proprietary Fund Type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized during the period in which they were incurred.

In the fund financial statements, Governmental Funds 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 sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Unused vacation amounts may be carried forward for one fiscal year only. Employees are paid for unused vacation only upon termination at their standard per diem rates in effect at the date of their departure. Sick leave is granted as appropriate (medical evidence required) with budgetary provisions being made annually for the estimated costs of substitute personnel. Contractual provisions with employees require payment at the employees' per diem rate (at retirement) for accumulated unused sick leave days upon retirement up to a maximum of 45 days. Administrators are eligible for an additional 15 days if certain notice requirements are met.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District has two items that qualify for reporting in this category. They are the deferred outflows related to pension and OPEB activities, which are reported in the government-wide statement of net position and the proprietary fund statement of net position. The deferred outflows related to pension and OPEB activities are reported in the statement of net position and are deferred and recognized as an outflow of resources in the period to which the expense applies.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has three items that qualify for reporting in this category. The first item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. The second item, deferred inflows related to pension and OPEB activities, are reported in the government-wide statement of net position and the proprietary fund statement of net position. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

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

Net Position Flow Assumption

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

Use of Estimates

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance

The School District has adopted GASB Statement No. 54, which redefined how fund balances of the Governmental Funds are presented in the financial statements. Fund balances are classified as follows:

- ***Nonspendable*** - Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

- ***Restricted*** - Amounts that can be spent only for specific purposes because of state or federal laws or externally imposed conditions by grantors or creditors.

- ***Committed*** - Amounts that can be used only for specific purposes determined by a formal action by the Board of School Directors. This includes the budget reserve account.

- ***Assigned*** - Amounts that are intended to be used for a specific purpose, as expressed by the Board of School Directors or by an official or body to which the Board of School Directors delegates the authority.

- ***Unassigned*** - All amounts not included in other spendable classifications.

The details of the fund balances are included in the Governmental Funds balance sheet (page 18). Restricted funds are used first as appropriate, followed by committed resources and then assigned resources, to the extent that expenditure authority has been budgeted by the Board of School Directors. The School District does reserve the right to first reduce unassigned fund balance to defer the use of these other classified funds. In the event that unassigned fund balance becomes zero, then assigned and committed fund balances are used in that order.

NOTE B - CASH AND INVESTMENTS

Cash

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned to it. Deposits are insured under Act 72 of the 1971 Session of the Pennsylvania General Assembly whereby financial institutions were granted the authority to secure deposits of public bodies by pledging a pool of assets, as defined in the Act, to cover all public funds deposited in excess of FDIC limits. The School District does not have a deposit policy for custodial credit risk. The carrying value of the District's cash accounts at June 30, 2021, was $156,104,285.

As of June 30, 2021, $154,172,726 of the School District's bank balance of $156,351,421 was exposed to custodial credit risk as follows:

Uninsured and collateralized with securities held by the pledging bank's trust department not in the School District's name	$ 39,931,443
Uninsured and uncollateralized with State investment pools	114,241,283
	$ 154,172,726

Interest Rate Risk - The School District's investment policy limits investment maturities in accordance with the Commonwealth of Pennsylvania School Code as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investments

As of June 30, 2021, the School District had the following investments and maturities:

			Investment Maturities	
Investment Type	Amortized Cost	Fair Value	Less Than One Year	One to Five Years
State investment pools	$ 5,156,962	$ -	$ 5,156,962	$ -
Certificates of deposit	1,098,703	-	1,098,703	-
	$ 6,255,665	$ -	$ 6,255,665	$ -

A portion of the School District's investments is in the PSDLAF and PLGIT programs, of which are funds similar to mutual funds. GASB Statement No. 3, Paragraph 69, provides that certain types of cash and investments, such as cash investments in a State Treasurer's investment pool or mutual fund, cannot be assigned a credit risk category because the government does not own specific securities. Therefore, the PSDLAF and PLGIT investments included in these statements will not be assigned a credit risk category. The carrying amount of these investments at June 30, 2021, is $5,156,962. These assets maintain a stable net asset value of $1 per share. PSDLAF is not SEC-registered. All investments are monitored weekly by Standard & Poor's and are subject to an independent audit on an annual basis.

NOTE B - CASH AND INVESTMENTS (Continued)

Investments held with qualifying external state investment pools are valued at amortized cost in accordance with GASB Statement No. 79. At June 30, 2021, the School District had $155,674 invested in PLGIT I-Class, which limits withdrawals to two per calendar month, and $5,001,288 in the PSDLAF Flex Pool, which has hold-to-maturity requirements.

Certificates of deposit held by banks of $1,098,703 are stated at cost plus interest earned.

Credit Risk - State law permits the School District to invest funds in the following types of investments:

Obligations of (1) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (2) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (3) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

The School District's investment policy does not further limit its investment choices. As of June 30, 2021, the School District's investment in the state investment pools was rated AAAm by Standard & Poor's.

Concentration of Credit Risk - The following investments represent greater than 5% of the School District's total investments:

Certificates of deposit with Univest	$ 1,098,703

NOTE C - TAXES - REAL ESTATE AND OTHER

The School Board is authorized by state law to levy property taxes for School District operations, capital improvements and debt service. Property taxes are based on assessed valuations of real property within the School District.

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

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

For fiscal year 2021, due to the ongoing pandemic, the School District extended the deadline for the discount period until September 30, 2020 and extended the face period until December 31, 2020, thus eliminating the penalty until the lien date.

School District taxes are billed and collected by the local elected tax collector. Property taxes attach as an enforceable lien on property as of July 1.

In addition, the School District participates in a $52 Local Services Tax levied by the Township.

NOTE D - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2021, consisted of taxes and other revenue. All receivables are considered fully collectible due to the ability to lien property for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds.

A summary of accounts receivable by fund is as follows:

	General Fund
Real estate taxes	$ 1,878,806
Other revenue	68,626
	$ 1,947,432

NOTE E - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2021, is as follows:

Due to/from Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Food Service Fund	$ 485,000
Food Service Fund	General Fund	200,000
Capital Reserve Fund	General Fund	13,000,000
		$ 13,685,000

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

Interfund Transfers

Transfers are used to move unrestricted revenues to finance various programs that the School District must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

Transfer In	Transfer Out	Amount
Capital Reserve Fund	General Fund	$ 13,000,000
Food Service Fund	General Fund	200,000
		$ 13,200,000

NOTE F - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	$ 3,778,132	$ -	$ -	$ 3,778,132
Construction in progress	3,754,864	31,600,503	-	35,355,367
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	7,532,996	31,600,503	-	39,133,499
Capital assets being depreciated				
Buildings and site improvements	163,226,714	975,329	-	164,202,043
Furniture and equipment	18,663,436	206,914	-	18,870,350
TOTAL CAPITAL ASSETS BEING DEPRECIATED	181,890,150	1,182,243	-	183,072,393
Accumulated depreciation	(64,358,240)	(4,309,432)	-	(68,667,672)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	117,531,910	(3,127,189)	-	114,404,721
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	125,064,906	28,473,314	-	153,538,220
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated				
Furniture and equipment	412,870	-	-	412,870
Accumulated depreciation	(346,386)	(9,601)	-	(355,987)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	66,484	(9,601)	-	56,883
CAPITAL ASSETS, net	$ 125,131,390	$ 28,463,713	$ -	$ 153,595,103

NOTE G - LONG-TERM DEBT

General Obligation Bonds

Bonded debt payable at June 30, 2021, is comprised of the following individual issues:

General Obligation Bonds, Series of 2012, $9,995,000 due in annual principal installments ranging from $130,000 to $1,525,000 through February 15, 2024, interest rate is variable from 0.62% to 2.30%	$	4,470,000
General Obligation Bonds, Series of 2013, $9,995,000 due in annual principal installments ranging from $65,000 to $1,990,000 through February 15, 2025, interest rate is variable from 0.630% to 2.45%		3,265,000
General Obligation Bonds, Series of 2014, $9,995,000 due in annual principal installments ranging from $185,000 to $1,440,000 through February 15, 2023, interest rate is variable from 0.230% to 4.00%		2,845,000
General Obligation Bonds, Series of 2016, $35,785,000 due in annual principal installments ranging from $15,000 to $3,810,000 through January 15, 2038, interest rate is variable from 0.750% to 5.00%		34,595,000
General Obligation Bonds, Series of 2017, $28,920,000 due in annual principal installments ranging from $5,000 to $3,485,000 through January 15, 2037, interest rate is variable from 0.90% to 5.00%		28,900,000
General Obligation Bonds, Series of 2019, $9,995,000 due in annual principal installments ranging from $5,000 to $4,385,000 through January 15, 2039, interest rate is variable from 1.75% to 4.00%		9,990,000
SUBTOTAL FORWARD	$	84,065,000

NOTE G - LONG-TERM DEBT (Continued)

SUBTOTAL FORWARDED	$ 84,065,000
General Obligation Bonds, Series of 2020, $22,160,000 due in annual principal installments ranging from $5,000 to $1,415,000 through September 1, 2049, interest rate is variable from 1.0% to 4.0%	22,160,000
General Obligation Bonds, Series of 2021A, $94,595,000 due in annual principal installments ranging from $5,000 to $9,515,000 through January 15, 2051, interest rate is variable from 1.0% to 4.0%	94,595,000
General Obligation Bonds, Series of 2021B, $6,605,000 due in annual principal installments ranging from $115,000 to $330,000 through January 15, 2051, interest rate is variable from 1.0% to 4.0%	6,605,000
	$ 207,425,000

Annual debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest
2022	$ 3,670,000	$ 7,425,499
2023	3,765,000	7,975,477
2024	4,310,000	7,885,328
2025	4,385,000	7,789,858
2026	4,500,000	7,652,475
2027 to 2031	25,445,000	35,322,650
2032 to 2036	32,025,000	28,743,100
2037 to 2041	39,375,000	20,976,290
2042 to 2046	46,175,000	13,897,164
2047 to 2051	43,775,000	4,337,200
	$ 207,425,000	$ 142,005,041

NOTE H - CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2021, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
GOVERNMENTAL ACTIVITIES					
GENERAL OBLIGATION BONDS					
Series of 2012	$ 5,615,000	$ -	$ (1,145,000)	$ 4,470,000	$ 1,455,000
Series of 2013	3,615,000	-	(350,000)	3,265,000	65,000
Series of 2014	4,225,000	-	(1,380,000)	2,845,000	1,405,000
Series of 2016	35,185,000	-	(590,000)	34,595,000	610,000
Series of 2017	28,905,000	-	(5,000)	28,900,000	5,000
Series of 2019	9,995,000	-	(5,000)	9,990,000	5,000
Series of 2020	-	22,160,000	-	22,160,000	5,000
Series of 2021A	-	94,595,000	-	94,595,000	5,000
Series of 2021B	-	6,605,000	-	6,605,000	115,000
TOTAL GENERAL OBLIGATION BONDS	87,540,000	123,360,000	(3,475,000)	207,425,000	3,670,000
BOND PREMIUMS AND DISCOUNTS, net	9,639,937	13,617,210	(1,057,570)	22,199,577	1,057,570
COMPENSATED ABSENCES	5,855,202	210,246	-	6,065,448	606,545
NET PENSION LIABILITY	156,962,000	11,738,000	-	168,700,000	-
NET OPEB LIABILITY	9,474,556	-	(425,000)	9,049,556	-
TOTAL LONG-TERM LIABILITIES	$ 269,471,695	$ 148,925,456	$ (4,957,570)	$ 413,439,581	$ 5,334,115
BUSINESS-TYPE ACTIVITIES					
COMPENSATED ABSENCES	$ 30,606	$ 12,914	$ -	$ 43,520	$ 4,352
NET PENSION LIABILITY	2,052,000	157,000	-	2,209,000	-
NET OPEB LIABILITY	123,064	-	(1,993)	121,071	-
TOTAL LONG-TERM LIABILITIES	$ 2,205,670	$ 169,914	$ (1,993)	$ 2,373,591	$ 4,352

NOTE I - DERIVATIVE INSTRUMENTS

The School District had been a party to two derivative instruments in conjunction with its high school construction project in order to mitigate swings in interest rates.

The following table summarizes the objective and terms of the School District's derivative instruments:

Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms
Cash settled swap 20180020001	Hedge of changes in cash flows	$ 50,000,000	6/1/2021	1/15/2051	Pay 2.6461; receive USD-LIBOR-BBA * 80%
Cash settled swap 20180020002	Hedge of changes in cash flows	50,000,000	6/1/2021	1/15/2051	Pay 2.6461; receive USD-LIBOR-BBA * 80%

During the year ended June 30, 2021, the School District and the counterparty agreed to terminate the derivative instruments. As a condition of the termination, the School District made payments to the counterparty totaling $21,809,000.

NOTE J - DEFEASED DEBT

In prior years, certain bonds were defeased in substance by placing an amount in irrevocable trusts to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account assets and the liability for the in-substance defeased bonds are not included in the School District's financial statements.

As of June 30, 2021, the School District has defeased debt outstanding of $5,795,000.

NOTE K - UNEARNED REVENUE

Food Service Fund

Unearned revenue of $53,677 in the Food Service Fund represents the carryover of student deposits. Unearned revenue of $36,756 represents unearned donated foods revenue.

NOTE L - JOINT VENTURE

The School District participates in an ongoing joint venture with other school districts in funding the operation of the Central Montgomery County Area Vocational-Technical School (the "Technical School"). The Technical School provides vocational education for all the participating schools. The School District has an accumulated interest in the Technical School that is reserved for building improvements and educational projects. The School District's proportionate share of the accumulated interest in the Technical School's operating fund balance is not material and is not included in the General Fund of these financial statements.

The financial statements of the Technical School are audited according to state guidelines and are available to the public for inspection at the Technical School.

The School District agreed to make additional payments to the Technical School for various improvements, renovations, modernizations and new equipment. The following is a schedule by years of future minimum payments under the contract:

Year Ending June 30,	
2022	$ 549,684
2023	547,444
2024	548,808
	$ 1,645,936

NOTE M - PENSION PLAN

Summary of Significant Accounting Policies

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

General Information About the Pension Plan

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

Benefits Provided - PSERS provides retirement, disability and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum three years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending on membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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

NOTE M - PENSION PLAN (Continued)

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

Contributions

Members Contributions

- Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.

- Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.

- Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with services rendered on or after January 1, 2002.

- Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and the Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

Employer Contributions

The School District's contractually required contribution rate for the fiscal year ended June 30, 2021, was 33.51% of covered payroll, actuarially determined as an amount that, when combined with employee contributions is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the plan from the School District were $16,750,000 for the year ended June 30, 2021.

NOTE M - PENSION PLAN (Continued)

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

At June 30, 2021, the School District reported a liability of $170,909,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2019 to June 30, 2020. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2021, the School District's proportion was 0.3471%, which was an increase of 0.0072% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2021, the School District recognized pension expense of $19,488,000. At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
GOVERNMENTAL ACTIVITIES		
Difference between expected and actual experience	$ 440,000	$ 4,040,000
Net difference between projected and actual investment earnings	7,420,000	-
Changes in proportions	7,820,000	2,490,000
Contributions subsequent to the measurement date	16,530,000	-
	$ 32,210,000	$ 6,530,000
BUSINESS-TYPE ACTIVITIES		
Difference between expected and actual experience	$ 7,000	$ 56,000
Net difference between projected and actual investment earnings	92,000	-
Changes in proportions	107,000	31,000
Contributions subsequent to the measurement date	220,000	-
	$ 426,000	$ 87,000

NOTE M - PENSION PLAN (Continued)

$16,750,000 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Governmental Activities	Business-Type Activities
2022	$ 449,000	$ 6,000
2023	1,635,000	21,000
2024	3,527,000	47,000
2025	3,539,000	45,000
	$ 9,150,000	$ 119,000

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

- **Actuarial Cost Method** - Entry Age Normal - level % of pay
- **Investment Return** - 7.25%, includes inflation at 2.75%
- **Salary Increases** - effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority raises
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

NOTE M - PENSION PLAN (Continued)

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	15.0%	5.2%
Private equity	15.0%	7.2%
Fixed income	36.0%	1.1%
Commodities	8.0%	1.8%
Absolute return	10.0%	2.5%
Risk parity	8.0%	3.3%
Infrastructure/MLPs	6.0%	5.7%
Real estate	10.0%	5.5%
Cash	6.0%	-1.0%
Financing (LIBOR)	-14.0%	-0.7%
	100.0%	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2020.

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

NOTE M - PENSION PLAN (Continued)

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

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
School District's proportionate share of the net pension liability	$ 211,450,000	$ 170,909,000	$ 136,564,000

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

NOTE N - ACCUMULATED COMPENSATED ABSENCES AND EARLY RETIREMENT INCENTIVE PLAN

School District employees who are required to work on a 12-month schedule are credited with vacation at rates which vary with length of service or job classification. Vacation (for most employee categories) may be taken or accumulated within certain limits and is paid prior to retirement or termination at the employee's current rate of pay.

The liability to current employees is estimated and will change since unused vacation will be paid at the rate of pay in effect at the time of separation. These accumulated leaves are recorded as an expenditure in the period taken or as an accrued expenditure in the fiscal year of separation. Termination compensation payable in future years, which was $482,631 at June 30, 2021, is recorded in compensated absences on the statement of net position.

The School District pays a per diem rate to retirees for unused sick time based on employment classification. Compensation payable in future years, which was $5,626,336 at June 30, 2021, is recorded in compensated absences on the statement of net position.

NOTE O - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – PSERS

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

NOTE O - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - PSERS (Continued)

General Information about the Health Insurance Premium Assistance Program

Health Insurance Premium Assistance Program

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

Premium Assistance Eligibility Criteria

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

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

Pension Plan Description

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

Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of $100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2020, there were no assumed future benefit increases to participating eligible retirees.

NOTE O - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - PSERS (Continued)

Employer Contributions

The Districts' contractually required contribution rate for the fiscal year ended June 30, 2021 was 0.82% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were $410,000 for the year ended June 30, 2021.

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

At June 30, 2021, the District reported a liability of $7,500,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2019 to June 30, 2020. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2021, the District's proportion was 0.3471%, which was an increase of 0.0072% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2021, the District recognized OPEB expense of $434,000. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
GOVERNMENTAL ACTIVITIES		
Difference between expected and actual experience	$ 68,000	$ 160,000
Changes in assumptions	299,000	-
Net difference between projected and actual investment earnings	11,000	-
Changes in proportions	509,000	260,000
Contributions subsequent to the measurement date	402,000	-
	$ 1,289,000	$ 420,000

NOTE O - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - PSERS (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
BUSINESS-TYPE ACTIVITIES		
Difference between expected and actual experience	$ 1,000	$ 5,000
Changes in assumptions	7,000	-
Net difference between projected and actual investment earnings	2,000	-
Changes in proportions	10,000	3,000
Contributions subsequent to the measurement date	8,000	-
	$ 28,000	$ 8,000

$410,000 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Governmental Activities	Business-Type Activities
2022	$ 86,000	$ 2,000
2023	86,000	2,000
2024	86,000	2,000
2025	139,000	4,000
2026	48,000	1,000
2027	22,000	1,000
	$ 467,000	$ 12,000

NOTE O - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - PSERS (Continued)

Actuarial Assumptions

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

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

The following assumptions were used to determine the contribution rate:

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

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

NOTE O - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - PSERS (Continued)

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

OPEB - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	50.3%	-1.00%
US Core Fixed Income	46.5%	-0.10%
Non-US Developed Fixed Income	3.2%	-0.10%
	100.0%	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2020.

Discount Rate

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

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

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

NOTE O - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - PSERS (Continued)

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

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	$ 7,499,000	$ 7,500,000	$ 7,501,000

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

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

	1% Decrease 1.66%	Current Discount Rate 2.66%	1% Increase 3.66%
District's proportionate share of the net OPEB liability	$ 8,551,000	$ 7,500,000	$ 6,629,000

OPEB Plan Fiduciary Net Position

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

NOTE P - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - SINGLE EMPLOYER PLAN

Plan Description

The School District provides medical and prescription drug insurance benefits to eligible retired employees, spouses and dependents through a single-employer defined benefit plan. The benefits, benefits level, employee contribution and employer contribution are administered by School District Supervisors and can be amended by the School District through its personnel manual and union contracts. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a stand-alone financial report. The activity of the plan is reported in the School District's General Fund.

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

Plan Membership

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

Active plan participants	608
Vested former plan participants	-
Retired plan participants	11
	619

Funding Policy and Funding Status

The plan is an unfunded plan with no assets accumulated in a trust. Contributions to the plan are equal to benefit payments. For the year ending June 30, 2021, benefit payments paid as they came due were $114,407.

Assumptions

The following assumptions and actuarial methods and calculations were used:

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

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

Withdrawal

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

Age	Male Rate	Female Rate	Age	Male Rate	Female Rate
25	2.5700%	5.0200%	45	1.3700%	1.6500%
30	2.5700%	4.0200%	50	1.9200%	2.0600%
35	1.5000%	2.8500%	55	3.3800%	3.1100%
40	1.3400%	1.6000%	60	5.5700%	6.4000%

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

Mortality - Separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation. Incorporated into the table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.

Disability - No disability was assumed.

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

Percent of Eligible Retirees Electing Coverage in Plan - 100% of administrators and 20% of all other employees are assumed to elect coverage.

Percent Married at Retirement - 25% of employees are assumed to be married and have a spouse covered by the plan at retirement. Non-spouse dependents are deemed to be immaterial.

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

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

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

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

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

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

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2019	$ 2,368,620
Changes for the year	
Service cost	178,886
Interest	83,514
Differences between expected and actual experience	(519,598)
Changes in assumptions	(326,388)
Benefit payments	(114,407)
Net changes	(697,993)
Balance at June 30, 2020	$ 1,670,627

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

The following presents the total OPEB liability of the School District, as well as what the School's net OPEB liability would be if it were calculated using a discount rate that is 1.0% lower (0.86%) or 1.0% higher (2.86%) than the current discount rate:

	1% Decrease	Current Rate	1% Increase
Total OPEB liability	$ 1,801,661	$ 1,670,627	$ 1,546,239

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

The following presents the total OPEB liability of the School District, as well as what the School's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1.0% lower or 1.0% higher than the current healthcare cost trend rate:

	1% Decrease	Current Rate	1% Increase
Total OPEB liability	$ 1,475,312	$ 1,670,627	$ 1,896,199

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

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2021, the School District recognized OPEB expense of $112,923. At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
GOVERNMENTAL ACTIVITIES		
Difference between expected and actual experience	$ -	$ 975,000
Changes in assumptions	126,000	824,000
Benefit payments subsequent to the measurement date	36,000	-
	$ 162,000	$ 1,799,000
BUSINESS-TYPE ACTIVITIES		
Difference between expected and actual experience	$ -	$ 13,000
Changes in assumptions	2,000	11,000
Benefit payments subsequent to the measurement date	-	-
	$ 2,000	$ 24,000

$36,000 reported as deferred outflows of resources related to OPEB resulting from District benefit payments subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Governmental Activities	Business-Type Activities
2022	$ (148,000)	$ (2,000)
2023	(148,000)	(2,000)
2024	(148,000)	(2,000)
2025	(148,000)	(2,000)
2026	(148,000)	(2,000)
Thereafter	(933,000)	(12,000)
	$ (1,673,000)	$ (22,000)

NOTE Q - COMMITMENTS AND CONTINGENCIES

There are a number of tax assessment appeals pending in the Court of Common Pleas of Montgomery County from the decisions of the Board of Assessment Appeals. Legal counsel for the School District cannot give an opinion on the outcome of these appeals nor can they reasonably estimate the financial impact.

NOTE R - RISK MANAGEMENT

The School 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. It is the policy of the School District to purchase commercial insurance for the risks of loss to which it is exposed, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE S - PRIOR PERIOD RESTATEMENT

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

For fiduciary fund custodial activities, the District has treated the beginning of year net position of $581,403 as having been recognized in the period incurred. The District has adjusted beginning of year net position for their custodial activities from $0 to $581,403 to reflect the transaction discussed above and to reclassify previously recognized liabilities to net position.

REQUIRED SUPPLEMENTARY INFORMATION

UPPER MERION AREA SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2021

	Budgeted Amounts			Variance Favorable
	Original	Final	Actual	(Unfavorable)
REVENUES				
Local sources	$ 92,823,499	$ 92,823,499	$ 100,141,365	$ 7,317,866
State sources	16,391,610	16,391,610	16,223,095	(168,515)
Federal sources	1,373,327	1,373,327	3,349,204	1,975,877
TOTAL REVENUES	110,588,436	110,588,436	119,713,664	9,125,228
EXPENDITURES				
Instruction				
Regular programs	44,310,629	44,217,026	44,777,305	(560,279)
Special programs	15,984,444	15,973,059	16,548,844	(575,785)
Vocational programs	2,791,650	2,791,650	2,568,498	223,152
Other instructional programs	188,698	188,201	241,140	(52,939)
TOTAL INSTRUCTION	63,275,421	63,169,936	64,135,787	(965,851)
Support services				
Pupil personnel services	5,507,028	5,507,029	5,173,515	333,514
Instructional staff services	3,277,547	3,395,214	3,787,775	(392,561)
Administration services	5,311,890	5,281,890	6,094,289	(812,399)
Pupil health	1,480,942	1,483,942	1,405,932	78,010
Business services	1,016,973	1,010,601	1,010,211	390
Operation and maintenance of plant services	9,585,884	9,582,885	9,279,357	303,528
Student transportation services	5,503,417	5,503,417	3,945,704	1,557,713
Central services	1,794,026	1,820,927	2,320,877	(499,950)
Other support services	65,747	65,747	70,760	(5,013)
TOTAL SUPPORT SERVICES	33,543,454	33,651,652	33,088,420	563,232
Non-instructional services				
Student activities	2,092,452	2,094,742	1,840,226	254,516
Community services	100,000	100,000	52,620	47,380
TOTAL NON-INSTRUCTIONAL SERVICES	2,192,452	2,194,742	1,892,846	301,896
Refund of prior year revenues	-	100,000	189,491	(89,491)
Debt service	9,374,799	8,125,230	8,126,540	(1,310)
TOTAL EXPENDITURES	108,386,126	107,241,560	107,433,084	(191,524)
EXCESS OF REVENUES OVER EXPENDITURES	2,202,310	3,346,876	12,280,580	8,933,704
OTHER FINANCING SOURCES (USES)				
Insurance recoveries	-	-	601,519	601,519
Interfund transfers out	(1,957,663)	(3,107,232)	(13,200,000)	(10,092,768)
Budgetary reserve	(250,000)	(245,000)	-	245,000
TOTAL OTHER FINANCING SOURCES (USES)	(2,207,663)	(3,352,232)	(12,598,481)	(9,246,249)
NET CHANGE IN FUND BALANCE	$ (5,353)	$ (5,356)	(317,901)	$ (312,545)
FUND BALANCE AT BEGINNING OF YEAR			18,766,495	
FUND BALANCE AT END OF YEAR			$ 18,448,594	

See accompanying note to the budgetary comparison schedule.

NOTE A - BUDGETARY INFORMATION

Budgets are adopted on a modified accrual basis plus encumbrances. An annual appropriated budget is adopted for the General Fund. All annual appropriations lapse at fiscal year-end. Project-length financial plans are adopted for all Capital Project Funds.

The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to March 1, the Business Administrator submits to the School Board a preliminary operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

2. Public hearings are conducted at the School District offices to obtain taxpayer comments.

3. Prior to July 1, the budget is legally enacted through passage of an ordinance.

4. The Business Administrator is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the School Board.

5. Formal budgetary integration is employed as a management control device during the year for the General Fund.

6. Budgeted amounts are as originally adopted or as amended by the School Board.

All budget amounts presented in the accompanying required supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions to the annual budgets during the year).

UPPER MERION AREA SCHOOL DISTRICT

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

	2021	2020	2019	2018
SCHOOL DISTRICT'S PROPORTION OF THE NET PENSION LIABILITY (ASSET)	0.3471%	0.3399%	0.3226%	0.3442%
SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)	$ 170,909,000	$ 159,014,000	$ 154,864,000	$ 169,995,000
SCHOOL DISTRICT'S COVERED-PAYROLL	$ 48,718,996	$ 46,871,644	$ 43,441,862	$ 45,831,263
SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION OF THE NET PENSION LIABILITY (ASSET) AS A PERCENTAGE OF ITS COVERED-PAYROLL	350.81%	339.25%	356.49%	370.91%
THE PLAN'S FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PERCENTAGE OF THE TOTAL PENSION LIABILITY	55.66%	55.66%	54.00%	51.84%

NOTES TO SCHEDULE

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

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

2017	2016	2015
0.3303%	0.3263%	0.3271%
$ 163,686,000	$ 141,337,000	$ 129,469,000
$ 42,774,319	$ 41,985,564	$ 41,734,460
382.67%	336.63%	310.22%
49.86%	45.64%	57.24%

UPPER MERION AREA SCHOOL DISTRICT

SCHEDULE OF THE SCHOOL DISTRICT'S PSERS PENSION CONTRIBUTIONS
LAST SEVEN FISCAL YEARS

	2021	2020	2019	2018
CONTRACTUALLY REQUIRED CONTRIBUTION	$ 16,750,000	$ 16,294,000	$ 15,325,000	$ 13,855,000
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	16,750,000	16,294,000	15,325,000	13,855,000
CONTRIBUTION (EXCESS) DEFICIENCY	$ -	$ -	$ -	$ -
SCHOOL DISTRICT'S COVERED-PAYROLL	$ 49,985,079	$ 48,718,996	$ 46,871,644	$ 43,441,862
CONTRIBUTIONS AS A PERCENTAGE OF COVERED-PAYROLL	33.51%	33.44%	32.70%	31.89%

NOTE TO SCHEDULE

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

2017	2016	2015
$ 13,002,000	$ 10,768,000	$ 8,398,000
13,002,000	10,768,000	8,398,000
$ -	$ -	$ -
$ 45,831,263	$ 42,774,319	$ 41,985,564
28.37%	25.17%	20.00%

UPPER MERION AREA SCHOOL DISTRICT

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

	2021	2020	2019	2018
School District's proportion of the net OPEB liability	0.3471%	0.3399%	0.3226%	0.3442%
School District's proportionate share of the net OPEB liability	$ 7,500,000	$ 7,229,000	$ 6,726,000	$ 7,013,000
School District's covered-payroll	$ 48,718,996	$ 46,871,644	$ 43,441,862	$ 45,831,263
School District's proportionate share of the net OPEB liability as a percentage of its covered-payroll	15.39%	15.42%	15.48%	15.30%
The plan's fiduciary net position as a percentage of the total OPEB liability	5.56%	5.56%	5.56%	5.73%

NOTES TO SCHEDULE

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

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

UPPER MERION AREA SCHOOL DISTRICT

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

	2021	2020	2019	2018
Contractually required contribution	$ 410,000	$ 410,000	$ 390,000	$ 362,000
Contributions in relation to the contractually required contribution	410,000	410,000	390,000	362,000
Contribution (excess) deficiency	$ -	$ -	$ -	$ -
School District's covered-payroll	$ 49,985,079	$ 48,718,996	$ 46,871,644	$ 43,441,862
Contributions as a percentage of covered-payroll	0.82%	0.84%	0.83%	0.83%

NOTE TO SCHEDULE

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

UPPER MERION AREA SCHOOL DISTRICT

SCHEDULE OF CHANGES IN THE TOTAL OTHER POSTEMPLOYMENT BENEFIT PLAN LIABILITY AND RELATED RATIOS
LAST FOUR FISCAL YEARS

	2021	2020	2019	2018
TOTAL OPEB LIABILITY				
Service cost	$ 178,886	$ 176,046	$ 253,113	$ 231,166
Interest	83,514	71,913	109,861	77,782
Changes of assumptions	(326,388)	(70,378)	(614,305)	183,971
Differences between expected and actual experience	(519,598)	-	(656,941)	-
Benefit payments	(114,407)	(100,605)	(124,168)	(134,066)
NET CHANGE IN TOTAL OPEB LIABILITY	(697,993)	76,976	(1,032,440)	358,853
TOTAL OPEB LIABILITY, BEGINNING	2,368,620	2,291,644	3,324,084	2,965,231
TOTAL OPEB LIABILITY, ENDING	$ 1,670,627	$ 2,368,620	$ 2,291,644	$ 3,324,084
COVERED-PAYROLL	$ 48,292,626	$ 43,653,333	$ 43,653,333	$ 42,201,639
TOTAL OPEB LIABILITY AS A PERCENTAGE OF COVERED-PAYROLL	3.46%	5.43%	5.25%	7.88%

NOTES TO SCHEDULE

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

Changes in assumptions: In the 2018 actuarial valuation, the discount rate changed from 3.13% to 2.98%. The trend assumption was updated. Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions. 30% of all employees other than administrators are assumed to elect coverage, down from 40% on the previous valuation. In the 2019 actuarial valuation, the discount rate changed from 2.98% to 3.36%. In the 2020 actuarial valuation, the discount rate changed from 3.36% to 1.86%.

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

SUPPLEMENTARY INFORMATION SECTION

UPPER MERION AREA SCHOOL DISTRICT

SCHEDULE OF CURRENT REAL ESTATE SETTLEMENTS
GENERAL FUND
YEAR ENDED JUNE 30, 2021

	Borough of Bridgeport		Borough of West Conshohocken	
	Assessed Valuation	Tax at 20.76	Assessed Valuation	Tax at 20.76
CHARGES AGAINST TAX COLLECTORS				
Original duplicate	$ 181,238,090		$ 313,024,265	
Net reductions by Montgomery County Board of Assessment (Homestead Exclusion) and other adjustments made throughout year	(3,000,322)		(1,230,789)	
TOTAL CHARGES AGAINST TAX COLLECTORS	$ 178,237,768	$ 3,700,216	$ 311,793,476	$ 6,472,833
CREDITS TO COLLECTORS				
Cash received from tax collectors				
Amount paid at discount	$ 3,275,958		$ 6,018,848	
Amount paid at face	181,800		156,700	
Amount paid at penalty	-		-	
NET TAX RECEIVED		$ 3,457,758		$ 6,175,548
Add 2% discount		63,927		122,625
Less 10% penalty		-		-
FACE AMOUNT OF TAXES COLLECTED		3,521,685		6,298,173
Delinquent taxes liened with the county treasurer		178,531		174,660
TOTAL CREDITS TO COLLECTORS		$ 3,700,216		$ 6,472,833
	At Face	%	At Face	%
Collected at discount	$ 3,339,885	90.3%	$ 6,141,473	94.9%
Collected at face	181,800	4.9%	156,700	2.4%
Collected at penalty	-	0.0%	-	0.0%
TOTAL COLLECTED BY SCHOOL DISTRICT	3,521,685	95.2%	6,298,173	97.3%
Liened taxes	178,531	4.8%	174,660	2.7%
TOTAL DUPLICATE	$ 3,700,216	100.0%	$ 6,472,833	100.0%

Township of Upper Merion		Totals	
Assessed Valuation	Tax at 20.76	Assessed Valuation	Tax at 20.76
$ 3,958,757,769		$ 4,453,020,124	
(27,411,820)		(31,642,931)	
$ 3,931,345,949	$ 81,614,742	$ 4,421,377,193	$ 91,787,791
$ 74,311,027		$ 83,605,833	
5,043,295		5,381,795	
9,470		9,470	
	$ 79,363,792		$ 88,997,098
	1,515,216		1,701,768
	(861)		(861)
	80,878,147		90,698,005
	736,595		1,089,786
	$ 81,614,742		$ 91,787,791
At Face	%	At Face	%
$ 75,826,243	92.9%	$ 85,307,601	92.9%
5,043,295	6.2%	5,381,795	5.9%
8,609	0.0%	8,609	0.0%
80,878,147	99.1%	90,698,005	98.8%
736,595	0.9%	1,089,786	1.2%
$ 81,614,742	100.0%	$ 91,787,791	100.0%

UPPER MERION AREA SCHOOL DISTRICT

SCHEDULE OF REVENUES
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2021

			Budgeted Revenue	Actual Revenue	Over (Under) Budget
6000	REVENUE FROM LOCAL SOURCES				
	6111	Current real estate taxes	$ 82,292,495	$ 89,279,299	$ 6,986,804
	6112	Interim real estate taxes	6,834,091	4,276,856	(2,557,235)
	6113	Public utility realty tax	86,000	86,117	117
	6114	Payments in lieu of current taxes - state/local	114,867	117,239	2,372
	6143	Occupational privilege taxes	200,000	230,991	30,991
	6153	Real estate transfer tax	1,277,810	3,302,341	2,024,531
	6154	Amusement taxes	200,000	212,427	12,427
	6410	Delinquent real estate tax	785,000	888,551	103,551
	6440	Delinquent 511 and amusement taxes	5,100	10,870	5,770
	6500	Earnings on investments	200,000	235,341	35,341
	6700	Revenue from student activities	15,000	-	(15,000)
	6910	Rentals	447,740	197,522	(250,218)
	6940	Tuitions	5,000	3,825	(1,175)
	6990	Miscellaneous revenue	360,396	1,299,986	939,590
		TOTAL 6000 REVENUE FROM LOCAL SOURCES	92,823,499	100,141,365	7,317,866
7000	REVENUE FROM STATE SOURCES				
	7110	Basic instructional subsidy	4,506,091	4,414,239	(91,852)
	7271	Special education subsidy	1,458,623	1,457,248	(1,375)
	7310	Transportation	700,000	694,512	(5,488)
	7320	Rentals and sinking fund payments	205,948	200,943	(5,005)
	7330	Medical and dental subsidy	89,000	86,709	(2,291)
	7340	State property tax reduction	611,420	611,420	-
	7361	School safety and security	-	45,000	45,000
	7500	Extra grants	137,324	137,324	-
	7810	State's share of retirement	8,683,204	8,575,700	(107,504)
		TOTAL 7000 REVENUE FROM STATE SOURCES	16,391,610	16,223,095	(168,515)
8000	REVENUE FROM FEDERAL SOURCES				
	8512	IDEA revenue	641,979	720,849	78,870
	8514	Title I	414,535	471,333	56,798
	8515	Title II	98,142	99,999	1,857
	8516	Title III	56,119	43,474	(12,645)
	8517	Title IV	27,552	29,428	1,876
	8741	CARES Act - ESSER	-	1,117,703	1,117,703
	8742	CARES Act - GEER	-	41,235	41,235
	8749	Coronavirus relief fund	-	696,611	696,611
	8810	Federal Access funds	100,000	100,000	-
	8820	Medical Assistance reimbursement	35,000	28,572	(6,428)
		TOTAL 8000 REVENUE FROM FEDERAL SOURCES	1,373,327	3,349,204	1,975,877
		TOTAL REVENUES	$ 110,588,436	$ 119,713,664	$ 9,125,228

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

To the Board of School Directors
Upper Merion Area School District
King of Prussia, Pennsylvania

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Upper Merion Area School District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Upper Merion Area School District's basic financial statements, and have issued our report thereon dated November 12, 2021.

Internal Control Over Financial Reporting

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

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

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

To the Board of School Directors
Upper Merion Area School District
King of Prussia, Pennsylvania

Compliance and Other Matters

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

Purpose of this Report

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



Limerick, Pennsylvania
November 12, 2021

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

To the Board of School Directors
Upper Merion Area School District
King of Prussia, Pennsylvania

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

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

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

To the Board of School Directors
Upper Merion Area School District
King of Prussia, Pennsylvania

Opinion of Each Major Federal Program

In our opinion, Upper Merion Area School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the Upper Merion Area School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Upper Merion Area School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Upper Merion Area 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 significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

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

Maillie LLP

Limerick, Pennsylvania
November 12, 2021

SUPPLEMENTARY INFORMATION - MAJOR FEDERAL AWARD PROGRAMS AUDIT

UPPER MERION AREA SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AND CERTAIN STATE AWARDS

YEAR ENDED JUNE 30, 2021

Federal Grantor/Project Title	Source Code	Federal AL Number	Pass-Through Grantor's Number
U.S. DEPARTMENT OF EDUCATION			
Passed through the Pennsylvania Department of Education			
Title I Grants to Local Educational Agencies	I	84.010	13-200451
Title I Grants to Local Educational Agencies	I	84.010	13-210451
Total ALN 84.010 Title I Grants to Local Education Agencies			
Language Instruction for English Learners and Immigrant Students (Title III)	I	84.365	10-200451
Language Instruction for English Learners and Immigrant Students (Title III)	I	84.365	10-210451
Total ALN 84.365 Language Instruction for English Learners and Immigrant Students			
Supporting Effective Instruction State Grants (Title II)	I	84.367	20-200451
Supporting Effective Instruction State Grants (Title II)	I	84.367	20-210451
Total ALN 84.367 Supporting Effective Instruction State Grants (Title II)			
Student Support and Academic Enrichment Program (Title IV)	I	84.424	144-200451
Student Support and Academic Enrichment Program (Title IV)	I	84.424	144-210451
Total ALN 84.424 Student Support and Academic Enrichment Program (Title IV)			
Education Stabilization Fund	I	84.425D	200-200451
Education Stabilization Fund	I	84.425D	252-200451
Education Stabilization Fund	I	84.425D	200-210451
Education Stabilization Fund	I	84.425U	223-210451
Total ALN 84.425 Education Stabilization Fund			
Passed through the Montgomery County Intermediate Unit 23			
Special Education - Preschool Grants (IDEA Preschool)	I	84.173	62-02014
Total ALN 84.173 Special Education - Preschool Grants (IDEA Preschool)			
Special Education - Grants to States (IDEA, Part B)	I	84.027	62-02014
Total ALN 84.027 Special Education - Grants to States (IDEA, Part B)			
TOTAL SPECIAL EDUCATION CLUSTER			
TOTAL U. S. DEPARTMENT OF EDUCATION FORWARD			

Grant Period Beginning/ Ending Dates	Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue at July 1, 2020	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue at June 30, 2021	Amount Passed Through to Sub-Recipients
July 2, 2019 to September 30, 2020	$ 414,495	$ 27,628	$ 25,847	$ 1,170	$ 1,170	$ (611)	$ -
July 27, 2020 to September 30, 2021	470,164	317,831	-	470,164	470,164	152,333	-
	884,659	345,459	25,847	471,334	471,334	151,722	-
July 2, 2019 to September 30, 2020	49,225	16,408	16,217	-	-	(191)	-
July 27, 2020 to September 30, 2021	57,239	34,343	-	43,473	43,473	9,130	-
	106,464	50,751	16,217	43,473	43,473	8,939	-
July 2, 2019 to September 30, 2020	92,201	6,194	10,109	2,280	2,280	6,194	-
July 27, 2020 to September 30, 2021	99,249	86,647	-	97,720	97,720	11,073	-
	191,450	92,841	10,109	100,000	100,000	17,267	-
July 2, 2019 to September 30, 2020	31,557	12,623	12,257	-	-	(366)	-
July 27, 2020 to September 30, 2021	31,435	31,435	-	29,428	29,428	(2,007)	-
	62,992	44,058	12,257	29,428	29,428	(2,373)	-
March 13, 2020 to September 30, 2021	340,443	340,443	17,013	323,430	323,430	-	-
March 13, 2020 to September 30, 2021	41,235	41,235	-	41,235	41,235	-	-
March 13, 2020 to September 30, 2022	1,736,171	-	-	567,973	567,973	567,973	-
March 13, 2020 to September 30, 2023	3,511,771	-	-	226,300	226,300	226,300	-
	5,629,620	381,678	17,013	1,158,938	1,158,938	794,273	-
July 1, 2019 to June 30, 2020	4,278	-	-	4,278	4,278	4,278	-
	4,278	-	-	4,278	4,278	4,278	-
July 1, 2019 to June 30, 2020	716,571	716,571	-	716,571	716,571	-	-
	716,571	716,571	-	716,571	716,571	-	-
	720,849	716,571	-	720,849	720,849	4,278	-
	$ 7,596,034	$ 1,631,358	$ 81,443	$ 2,524,022	$ 2,524,022	$ 974,107	$ -

UPPER MERION AREA SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AND CERTAIN STATE AWARDS

YEAR ENDED JUNE 30, 2021

Federal Grantor/Project Title	Source Code	Federal AL Number	Pass-Through Grantor's Number
U.S. DEPARTMENT OF TREASURY			
Passed through the Montgomery County Intermediate Unit 23			
Coronavirus Relief Fund	I	21.019	
Passed through the Pennsylvania Commission on Crime and Delinquency			
Coronavirus Relief Fund	I	21.019	
Coronavirus Relief Fund	I	21.019	
TOTAL U.S. DEPARTMENT OF TREASURY FORWARD			
Total ALN 21.019 Coronavirus Relief Fund			

Grant Period Beginning/ Ending Dates	Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue at July 1, 2020	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue at June 30, 2021	Amount Passed Through to Sub-Recipients
March 1, 2020 to December 30, 2020	$ 562,279	$ 562,279	$ -	$ 562,279	$ 562,279	$ -	$ -
March 1, 2020 to October 30, 2020	265,119	265,119	265,119	-	-	-	-
March 1, 2020 to December 30, 2020	134,332	-	-	134,332	134,332	134,332	-
	961,730	827,398	265,119	696,611	696,611	134,332	-
	$ 961,730	$ 827,398	$ 265,119	$ 696,611	$ 696,611	$ 134,332	$ -

UPPER MERION AREA SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AND CERTAIN STATE AWARDS
YEAR ENDED JUNE 30, 2021

Federal Grantor/Project Title	Source Code	Federal AL Number	Pass-Through Grantor's Number
U.S. DEPARTMENT OF EDUCATION			
TOTAL FORWARDED			
U.S. DEPARTMENT OF TREASURY			
TOTAL FORWARDED			
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the Pennsylvania Department of Agriculture			
Child Nutrition Cluster			
Value of Donated Commodities	I	10.555	N/A
Passed through the Pennsylvania Department of Education			
Child Nutrition Cluster			
National School Lunch Program	I	10.555	N/A
National School Lunch Program	I	10.555	N/A
National School Lunch Program	I	10.555	N/A
Total ALN 10.555 National School Lunch Program			
National School Breakfast Program	I	10.553	N/A
National School Breakfast Program	I	10.553	N/A
Total ALN 10.553 National School Breakfast Program			
TOTAL CHILD NUTRITION CLUSTER			
Passed through the Pennsylvania Department of Education			
State Matching Share - Lunch	S	N/A	N/A
State Matching Share - Lunch	S	N/A	N/A
TOTAL U.S. DEPARTMENT OF AGRICULTURE			
TOTAL FEDERAL AND CERTAIN STATE AWARDS			
LESS STATE SHARE			
TOTAL FEDERAL AWARDS			

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

Grant Period Beginning/ Ending Dates	Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue at July 1, 2020	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue at June 30, 2021	Amount Passed Through to Sub-Recipients
	$ 7,596,034	$ 1,631,358	$ 81,443	$ 2,524,022	$ 2,524,022	$ 974,107	$ -
	961,730	827,398	265,119	696,611	696,611	134,332	-
July 1, 2020 to June 30, 2021	N/A	134,555	(27,361)	125,160	125,160	(36,756)	-
July 1, 2019 to June 30, 2020	N/A	27,409	27,409	-	-	-	-
July 1, 2020 to June 30, 2021	N/A	355,923	-	508,155	508,155	152,232	-
July 1, 2019 to June 30, 2020	N/A	127,080	127,080	-	-	-	-
	N/A	644,967	127,128	633,315	633,315	115,476	-
July 1, 2019 to June 30, 2020	N/A	12,729	12,729	-	-	-	-
July 1, 2020 to June 30, 2021	N/A	279,821	-	362,935	362,935	83,114	-
	N/A	292,550	12,729	362,935	362,935	83,114	-
		937,517	139,857	996,250	996,250	198,590	-
July 1, 2019 to June 30, 2020	N/A	2,342	2,342	-	-	-	-
July 1, 2020 to June 30, 2021	N/A	29,640	-	39,529	39,529	9,889	-
	-	969,499	142,199	1,035,779	1,035,779	208,479	-
	8,557,764	3,428,255	488,760	4,256,412	4,256,412	1,316,917	-
	-	(31,982)	(2,342)	(39,529)	(39,529)	(9,889)	-
	$ 8,557,764	$ 3,396,273	$ 486,418	$ 4,216,883	$ 4,216,883	$ 1,307,029	$ -

UPPER MERION AREA SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AND CERTAIN STATE AWARDS
YEAR ENDED JUNE 30, 2021

NOTE A - ORGANIZATION AND SCOPE

The federal programs as listed in the schedule of expenditures of federal and certain state awards are accounted for by the School District in the General Fund for U.S. Department of Education programs and in the Food Service Fund for U.S. Department of Agriculture programs.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The School District uses the modified accrual basis of accounting to report federal, state and other grants. Revenues designated for payment of specified School District expenditures are recognized when the related expenditures are incurred. Any excess of receipts or expenditures at the fiscal year-end are recorded as deferred revenue or a receivable, respectively. The modified accrual basis of accounting is described in Note A to the financial statements.

Total assistance is valued at the sum of cash received and the value of U.S.D.A. donated foods based upon the federal price list accompanying each shipment.

NOTE C - PROGRAM OBJECTIVES

Title I Grants to Improve Basic Programs - To improve the teaching and learning of children who are at risk of not meeting challenging and academic standards and who reside in areas with high concentrations of children from low-income families.

National School Lunch Program - To (1) assist states through cash grants and donations in making lunch available to school children and (2) encourage the domestic consumption of agricultural commodities and other foods. To improve the diets of school children in need of food assistance and to increase the market for domestically produced foods acquired under surplus removal or price support operations.

Title II Improving Teacher Quality - To upgrade the expertise of teachers and other school staff to enable them to teach all children to meet state content standards and to sustain high quality professional development focused on core academic subjects.

Title III Language Instruction LEP/Immigrant Students - Improve education of limited English proficient students and provide enhanced instructional opportunities for immigrant children and youths.

Title IV School Support and Academic Enrichment Program- To (1) Provide all students with access to a well-rounded education; (2) improve school conditions for student learning; (3) improve the use of technology in order to improve the academic achievement and digital literacy for all students.

NOTE C - PROGRAM OBJECTIVES (Continued)

Individuals with Disabilities Education (IDEA) Programs - To (1) ensure that all children with disabilities have available to them a free appropriate public education which emphasizes special education and related services designed to meet their unique needs; (2) ensure that the rights of children with disabilities and their parents or guardians are protected; (3) assist states, localities, educational service agencies and federal agencies to provide for the education of all children with disabilities; and (4) assess and ensure that effectiveness of efforts to educate children with disabilities.

NOTE D - INDIRECT COST RATES

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

UPPER MERION AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Internal control over financial reporting:

Material weakness(es) identified: **No**

Significant deficiencies identified that are not considered to be material weaknesses: **No**

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

Federal Awards

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

Internal control over major programs:

Material weaknesses(es) identified: **No**

Significant deficiencies identified that are not considered to be material weaknesses: **No**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 500.516(a): **No**

Identification of major programs:

Program	ALN
Education Stabilization Fund	84.425

Dollar threshold used to distinguish between Type A and Type B programs: **$750,000**

Auditee qualified as a low-risk auditee: **Yes**

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None.

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

None.