UPPER MERION AREA SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

Year Ended June 30, 2013

Maillie

Expertise Beyond The Numbers

Certified Public Accountants and Business Consultants

INTRODUCTORY SECTION

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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, 2013, 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.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Upper Merion Area School District as of June 30, 2013, 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 R to the financial statements, for the year ended June 30, 2013, the Upper Merion Area School District adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* and Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities.* 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 51 through 53 and postemployment benefits other than pension funding progress on page 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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 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 December 26, 2013, 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 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

Oaks, Pennsylvania
December 26, 2013

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, 2013. 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 3,979 students in 2012-13. The School District employs approximately 307 teachers, 345 support staff and 22 administrators.

Upper Merion Area School District consists of four 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 expenditures were $87,782,746. Actual revenues exceeded actual expenses by $3,613,740.

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

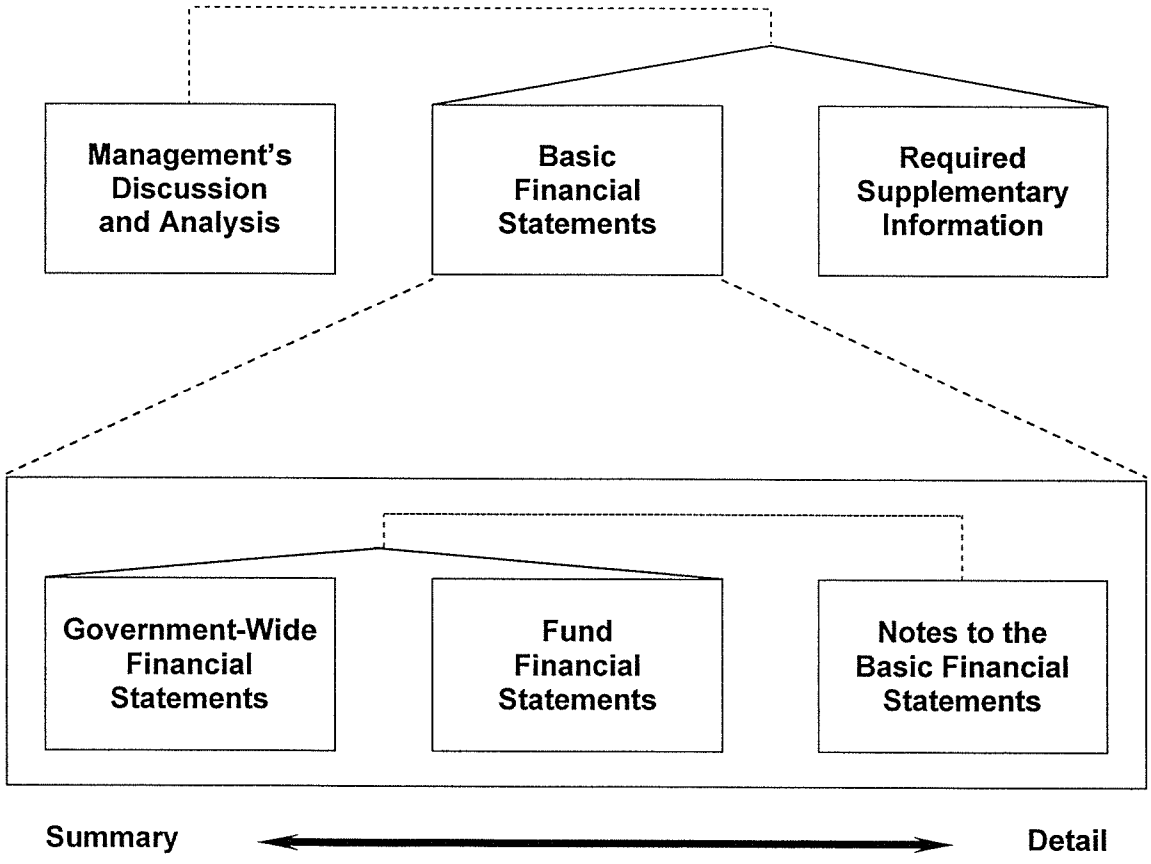


Figure A-2 summarizes the major features of the School District's financial statements, including the portion of the School District they cover and the types of information they contain. The remainder of this overview section of the MD&A explains the structure and contents of each of the statements.

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.

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 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 Assets

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

The School District's total net assets were $28,162,245 at June 30, 2013.

Table A-1
Condensed Statement of Net Position
June 30, 2013

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current and other assets	$ 23,576,578	$ 1,431,739	$ 25,008,317
Capital assets	80,010,121	89,374	80,099,495
TOTAL ASSETS	103,586,699	1,521,113	105,107,812
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	582,411	-	582,411
LIABILITIES			
Current and other liabilities	9,757,331	707,175	10,464,506
Long-term liabilities	67,063,472	-	67,063,472
TOTAL LIABILITIES	76,820,803	707,175	77,527,978
NET POSITION			
Net investment in capital assets	19,366,310	89,374	19,455,684
Unrestricted	7,981,997	724,564	8,706,561
TOTAL NET POSITION	$ 27,348,307	$ 813,938	$ 28,162,245

The School District's total net position was $21,036,252 at June 30, 2012.

Table A-2
Condensed Statement of Net Position
June 30, 2012

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current and other assets	$ 17,805,701	$ 1,064,583	$ 18,870,284
Capital assets	80,779,936	102,385	80,882,321
TOTAL ASSETS	98,585,637	1,166,968	99,752,605
LIABILITIES			
Current and other liabilities	7,527,667	401,441	7,929,108
Long-term liabilities	70,787,245	-	70,787,245
TOTAL LIABILITIES	78,314,912	401,441	78,716,353
NET POSITION			
Net investment in capital assets	16,792,815	102,385	16,895,200
Unrestricted	3,477,910	663,142	4,141,052
TOTAL NET POSITION	$ 20,270,725	$ 765,527	$ 21,036,252

Most 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, 2013

	Governmental Activities	Business-Type Activities	Totals
REVENUES			
Program revenues			
Charges for services	$ -	$ 1,738,726	$ 1,738,726
Operating grants and contributions	9,787,207	626,959	10,414,166
General revenues			
Property taxes	66,939,745	-	66,939,745
Other taxes	1,270,419	-	1,270,419
Investment earnings	143,251	3,539	146,790
Receipts from member districts	2,590	-	2,590
Other	2,369,432	-	2,369,432
TOTAL REVENUES	80,512,644	2,369,224	82,881,868
EXPENSES			
Instruction			
Regular programs	28,800,943	-	28,800,943
Special programs	9,851,979	-	9,851,979
Vocational programs	2,474,120	-	2,474,120
Other instructional programs	686,893	-	686,893
Support services			
Pupil personnel services	3,470,628	-	3,470,628
Instructional staff services	2,510,399	-	2,510,399
Administration services	3,746,126	-	3,746,126
Pupil health	951,595	-	951,595
Business services	867,042	-	867,042
Operation and maintenance of plant services	6,055,041	-	6,055,041
Student transportation services	4,025,507	-	4,025,507
Central services	1,520,471	-	1,520,471
Other support services	56,852	-	56,852
Non-instructional services			
Student activities	1,503,782	-	1,503,782
Community services	91,306	-	91,306
Refund of prior year revenues	574,204	-	574,204
Interest on long-term debt	1,620,033	-	1,620,033
Depreciation and amortization, unallocated	3,993,958	-	3,993,958
Food service	-	1,455,695	1,455,695
Extended day	-	865,118	865,118
TOTAL EXPENSES	72,800,879	2,320,813	75,121,692
CHANGE IN NET POSITION	7,711,765	48,411	7,760,176
NET POSITION, BEGINNING, restated	19,636,542	765,527	20,402,069
NET POSITION, ENDING	$ 27,348,307	$ 813,938	$ 28,162,245

Table A-4
Changes in Net Position
Year Ended June 30, 2012

	Governmental Activities	Business-Type Activities	Totals
REVENUES			
Program revenues			
Charges for services	$ 83,064	$ 1,710,848	$ 1,793,912
Operating grants and contributions	9,704,324	541,187	10,245,511
General revenues			
Property taxes	65,953,006	-	65,953,006
Other taxes	1,702,769	-	1,702,769
Investment earnings	72,251	1,792	74,043
Receipts from member districts	5,880	-	5,880
Other	1,574,743	100,000	1,674,743
TOTAL REVENUES	79,096,037	2,353,827	81,449,864
EXPENSES			
Instruction			
Regular programs	27,101,074	-	27,101,074
Special programs	9,438,289	-	9,438,289
Vocational programs	2,153,973	-	2,153,973
Other instructional programs	729,687	-	729,687
Support services			
Pupil personnel services	3,280,071	-	3,280,071
Instructional staff services	2,139,514	-	2,139,514
Administration services	3,769,070	-	3,769,070
Pupil health	947,624	-	947,624
Business services	781,768	-	781,768
Operation and maintenance of plant services	5,984,373	-	5,984,373
Student transportation services	4,009,162	-	4,009,162
Central services	1,193,236	-	1,193,236
Other support services	58,148	-	58,148
Non-instructional services			
Student activities	1,512,150	-	1,512,150
Community services	107,392	-	107,392
Refund on prior year revenues	216,350	-	216,350
Interest on long-term debt	2,309,402	-	2,309,402
Depreciation and amortization, unallocated	3,732,922	-	3,732,922
Food service	-	1,470,209	1,470,209
Extended day	-	826,295	826,295
TOTAL EXPENSES	69,464,205	2,296,504	71,760,709
CHANGE IN NET POSITION	9,631,832	57,323	9,689,155
NET POSITION, BEGINNING	10,638,893	708,204	11,347,097
NET POSITION, ENDING	$ 20,270,725	$ 765,527	$ 21,036,252

Capital Assets - At June 30, 2013, the School District had $80,010,121 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

	2013	2012
Land	$ 3,778,132	$ 3,778,132
Construction in progress	-	254,665
Buildings and site improvements	69,643,955	71,463,086
Furniture and equipment	6,588,034	5,284,053
TOTAL	$ 80,010,121	$ 80,779,936

The construction in progress total reflects the costs accumulated for various district renovation projects.

Debt Administration - As of July 1, 2012, the School District had total outstanding bond principal of $63,075,000. During the year, the School District made payments against principal of $23,900,000, resulting in ending outstanding debt as of June 30, 2013, of $59,165,000.

Table A-6
Outstanding Debt

	2013	2012
GENERAL OBLIGATION BONDS		
Series of 2003	$ -	$ 3,070,000
Series of 2004	4,065,000	4,955,000
Series of 2004A	3,080,000	7,435,000
Series of 2004B	11,430,000	15,620,000
Series of 2005	10,750,000	12,620,000
Series of 2006	-	55,000
Series of 2007	-	9,335,000
Series of 2011	9,980,000	9,985,000
Series of 2012	9,995,000	-
Series of 2013	9,865,000	-
TOTAL	$ 59,165,000	$ 63,075,000

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 $611,303 in the 2012-2013 fiscal year that offset property taxes for those property owners who qualified for the homestead exemption.

The 2012-2013 school year was a particularly strong year financially for the Upper Merion Area School District. The District was able to make a $1,500,000 transfer to the Capital Reserve Fund for the second time in as many years. In addition, the District assigned $3,800,000 of fund balance for retirement stabilization ($3,000,000) and tax assessment appeal refunds ($800,000). Finally, the unassigned fund balance grew from $4,886,022 to $6,819,544.

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 Steve Skrocki, Assistant to the Superintendent for Business Administration, Upper Merion Area School District, 435 Crossfield Road, King of Prussia, PA 19406-2363, 610-337-6000, sskrocki@umasd.org or visit the School District's website at www.umasd.org.

UPPER MERION AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2013

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and cash equivalents	$ 17,758,508	$ 1,376,117	$ 19,134,625
Investments	3,546,496	-	3,546,496
Receivables, net	688,648	8,392	697,040
Due from other governments	1,582,926	20,715	1,603,641
Inventories	-	26,515	26,515
Capital assets			
Land	3,778,132	-	3,778,132
Buildings and site improvements	99,703,427	-	99,703,427
Furniture and equipment	22,726,655	327,825	23,054,480
Accumulated depreciation	(46,198,093)	(238,451)	(46,436,544)
TOTAL ASSETS	103,586,699	1,521,113	105,107,812
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	582,411	-	582,411
LIABILITIES			
Accounts payable	1,450,375	15,010	1,465,385
Accrued salaries and benefits	7,532,420	34,112	7,566,532
Accrued interest	774,536	-	774,536
Unearned revenue	-	125,058	125,058
Due to other funds	-	532,995	532,995
Long-term liabilities			
Portion due or payable within one year			
Advance on refunding	53,305	-	53,305
Bonds payable	5,015,000	-	5,015,000
Capital leases	429,900	-	429,900
Bond premiums and discounts, net	96,097	-	96,097
Early retirement	252,500	-	252,500
Compensated absences	502,988	-	502,988
Portion due or payable after one year			
Advance on refunding	142,143	-	142,143
Bonds payable	54,150,000	-	54,150,000
Capital leases	385,849	-	385,849
Bond premiums and discounts, net	371,517	-	371,517
Early retirement	513,500	-	513,500
Compensated absences	4,526,896	-	4,526,896
Net OPEB obligation	623,777	-	623,777
TOTAL LIABILITIES	76,820,803	707,175	77,527,978
NET POSITION			
Net investment in capital assets	19,366,310	89,374	19,455,684
Unrestricted	7,981,997	724,564	8,706,561
TOTAL NET POSITION	$ 27,348,307	$ 813,938	$ 28,162,245

See accompanying notes to the basic financial statements.

UPPER MERION AREA SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2013

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	$ 28,800,943	$ -	$ 3,182,367	$ -
Special programs	9,851,979	-	2,405,754	-
Vocational programs	2,474,120	-	155,143	-
Other instructional programs	686,893	-	1,893,468	-
Support services				
Pupil personnel services	3,470,628	-	225,553	-
Instructional staff services	2,510,399	-	123,729	-
Administration services	3,746,126	-	177,885	-
Pupil health	951,595	-	53,371	-
Business services	867,042	-	42,361	-
Operation and maintenance of plant services	6,055,041	-	262,025	-
Student transportation services	4,025,507	-	954,719	-
Central services	1,520,471	-	46,133	-
Other support services	56,852	-	-	-
Non-instructional services				
Student activities	1,503,782	-	91,308	-
Community services	91,306	-	-	-
Refund of prior year revenues	574,204	-	-	-
Interest on long-term debt	1,620,033	-	173,391	-
Depreciation and amortization, unallocated	3,993,958	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	72,800,879	-	9,787,207	-
BUSINESS-TYPE ACTIVITIES				
Food service	1,455,695	801,577	626,959	-
Extended day	865,118	937,149	-	-
TOTAL BUSINESS-TYPE ACTIVITIES	2,320,813	1,738,726	626,959	-
TOTAL SCHOOL DISTRICT ACTIVITIES	$ 75,121,692	$ 1,738,726	$ 10,414,166	$ -
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				
SPECIAL ITEM, gain on disposition of capital assets				
TOTAL GENERAL REVENUES, TRANSFERS AND SPECIAL ITEM				
CHANGE IN NET POSITION				
NET POSITION AT BEGINNING OF YEAR, restated				
NET POSITION AT END OF YEAR				

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Totals
$ (25,618,576)	$ -	$ (25,618,576)
(7,446,225)	-	(7,446,225)
(2,318,977)	-	(2,318,977)
1,206,575	-	1,206,575
(3,245,075)	-	(3,245,075)
(2,386,670)	-	(2,386,670)
(3,568,241)	-	(3,568,241)
(898,224)	-	(898,224)
(824,681)	-	(824,681)
(5,793,016)	-	(5,793,016)
(3,070,788)	-	(3,070,788)
(1,474,338)	-	(1,474,338)
(56,852)	-	(56,852)
(1,412,474)	-	(1,412,474)
(91,306)	-	(91,306)
(574,204)	-	(574,204)
(1,446,642)	-	(1,446,642)
(3,993,958)	-	(3,993,958)
(63,013,672)	-	(63,013,672)
-	(27,159)	(27,159)
-	72,031	72,031
-	44,872	44,872
(63,013,672)	44,872	(62,968,800)
66,939,745	-	66,939,745
1,185,268	-	1,185,268
85,151	-	85,151
143,251	3,539	146,790
2,590	-	2,590
2,152,432	-	2,152,432
217,000	-	217,000
70,725,437	3,539	70,728,976
7,711,765	48,411	7,760,176
19,636,542	765,527	20,402,069
$ 27,348,307	$ 813,938	$ 28,162,245

UPPER MERION AREA SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	General Fund	Capital Project Funds: Capital Reserve Fund	Capital Project Funds: R.A.C.P. Grant Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 16,278,048	$ 1,479,234	$ 1,226	$ 17,758,508
Investments	3,546,496	-	-	3,546,496
Taxes receivable, net	1,117,372	-	-	1,117,372
Other receivables	155,653	-	-	155,653
Due from other governments	465,554	-	-	465,554
Due from other funds	532,995	1,500,000	-	2,032,995
TOTAL ASSETS	$ 22,096,118	$ 2,979,234	$ 1,226	$ 25,076,578
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 1,449,776	$ -	$ 599	$ 1,450,375
Accrued salaries and benefits	7,532,420	-	-	7,532,420
Due to other funds	1,500,000	-	-	1,500,000
TOTAL LIABILITIES	10,482,196	-	599	10,482,795
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues, property taxes	994,378	-	-	994,378
FUND BALANCES				
Assigned to				
Tax assessment appeal settlement refunds	800,000	-	-	800,000
Retirement stabilization	3,000,000	-	-	3,000,000
Capital projects	-	2,979,234	627	2,979,861
Unassigned	6,819,544	-	-	6,819,544
TOTAL FUND BALANCES	10,619,544	2,979,234	627	13,599,405
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 22,096,118	$ 2,979,234	$ 1,226	$ 25,076,578

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, 2013

TOTAL GOVERNMENTAL FUNDS BALANCES	$ 13,599,405
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
Buildings and site improvements	99,703,427
Furniture and equipment	22,726,655
Accumulated depreciation	(46,198,093)
Deferred amount on refunding	582,411
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	(774,536)
Advance on refunding	(195,448)
Bonds payable	(59,165,000)
Capital leases	(815,749)
Bond premiums and discounts	(467,614)
Early retirement	(766,000)
Compensated absences	(5,029,884)
Net OPEB obligation	(623,777)
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.	994,378
NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 27,348,307

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, 2013

	General Fund	Capital Project Funds: Capital Reserve Fund	Capital Project Funds: R.A.C.P. Grant Fund	Total Governmental Funds
REVENUES				
Local sources	$ 70,570,084	$ 2,755	$ 159	$ 70,572,998
State sources	8,586,039	-	-	8,586,039
Federal sources	1,201,168	-	-	1,201,168
TOTAL REVENUES	80,357,291	2,755	159	80,360,205
EXPENDITURES				
Instruction				
Regular programs	28,657,787	-	-	28,657,787
Special programs	9,786,773	-	-	9,786,773
Vocational programs	2,469,973	-	-	2,469,973
Other instructional programs	682,115	-	-	682,115
Support services				
Pupil personnel services	3,443,129	-	-	3,443,129
Instructional staff services	2,495,314	-	-	2,495,314
Administration services	3,724,439	-	-	3,724,439
Pupil health	945,088	-	-	945,088
Business services	861,878	-	-	861,878
Operation and maintenance of plant services	6,410,401	-	-	6,410,401
Student transportation services	4,001,162	-	-	4,001,162
Central services	1,514,847	-	-	1,514,847
Other support services	56,852	-	-	56,852
Non-instructional services				
Student activities	1,492,649	-	-	1,492,649
Community services	91,306	-	-	91,306
Refund of prior year revenues	574,204	-	-	574,204
Capital outlay	1,965	2,747,389	40,948	2,790,302
Debt service	20,572,864	-	-	20,572,864
TOTAL EXPENDITURES	87,782,746	2,747,389	40,948	90,571,083
DEFICIENCY OF REVENUES OVER EXPENDITURES FORWARD	$ (7,425,455)	$ (2,744,634)	$ (40,789)	$ (10,210,878)

UPPER MERION AREA SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2013

	General Fund	Capital Project Funds: Capital Reserve Fund	Capital Project Funds: R.A.C.P. Grant Fund	Total Governmental Funds
DEFICIENCY OF REVENUES OVER EXPENDITURES FORWARDED	$ (7,425,455)	$ (2,744,634)	$ (40,789)	$ (10,210,878)
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of fixed assets	217,000	-	-	217,000
Refunding bonds issued	19,990,000	-	-	19,990,000
Premium on refunding bonds issued	111,627	-	-	111,627
Payment to refunded bond escrow agent	(7,949,550)	-	-	(7,949,550)
Proceeds from capital leases	-	1,921,315	-	1,921,315
Transfers in	-	1,510,100	-	1,510,100
Transfers out	(1,510,100)	-	-	(1,510,100)
TOTAL OTHER FINANCING SOURCES (USES)	10,858,977	3,431,415	-	14,290,392
NET CHANGE IN FUND BALANCES	3,433,522	686,781	(40,789)	4,079,514
FUND BALANCES AT BEGINNING OF YEAR	7,186,022	2,292,453	41,416	9,519,891
FUND BALANCES AT END OF YEAR	$ 10,619,544	$ 2,979,234	$ 627	$ 13,599,405

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, 2013

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS FORWARD	$ 4,079,514
Capital outlays are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the current period.	(769,815)
Because some property taxes will not be collected for several months after the School District's fiscal year ends, they are not considered as "available" revenues in the Governmental Funds. Deferred tax revenues increased by this amount this year.	(64,561)
Repayment of bond and capital lease principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net position.	25,443,789
Net borrowings proceeds is an increase to the Governmental Funds balance; however, this is an increase to liabilities in the statement of net position.	(21,911,315)
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.	1,027,430
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).	(168,442)
Interest on long-term debt in the statement of activities differs from the amount reported in the Governmental Funds because interest is recognized as an expenditure in the funds when it is due and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues regardless of when it is due.	273,000
SUBTOTAL ADJUSTMENTS FORWARD	$ 3,830,086

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, 2013

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS FORWARDED	$	4,079,514
SUBTOTAL ADJUSTMENTS FORWARDED		3,830,086
The net change in the liability for the net OPEB obligation is reported in the government-wide statements but not in the Governmental Funds statements.		(197,835)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$	7,711,765

See accompanying notes to the basic financial statements.

UPPER MERION AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2013

	Enterprise Funds		Total
	Food Service Fund	Extended Day Fund	Proprietary Funds
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$ 595,583	$ 780,534	$ 1,376,117
Receivables	8,392	-	8,392
Due from other governments	20,715	-	20,715
Inventories	26,515	-	26,515
TOTAL CURRENT ASSETS	651,205	780,534	1,431,739
PROPERTY AND EQUIPMENT	327,825	-	327,825
Accumulated depreciation	(238,451)	-	(238,451)
PROPERTY AND EQUIPMENT, net	89,374	-	89,374
TOTAL ASSETS	740,579	780,534	1,521,113
CURRENT LIABILITIES			
Accounts payable	13,053	1,957	15,010
Accrued payroll	11,966	22,146	34,112
Due to other funds	331,691	201,304	532,995
Unearned revenue	24,898	100,160	125,058
TOTAL CURRENT LIABILITIES	381,608	325,567	707,175
NET POSITION			
Net investment in capital assets	89,374	-	89,374
Unrestricted	269,597	454,967	724,564
TOTAL NET POSITION	$ 358,971	$ 454,967	$ 813,938

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, 2013

	Enterprise Funds		Total
	Food Service Fund	Extended Day Fund	Proprietary Funds
OPERATING REVENUES			
Food service revenues	$ 801,577	$ -	$ 801,577
Tuition revenues	-	937,149	937,149
TOTAL OPERATING REVENUES	801,577	937,149	1,738,726
OPERATING EXPENSES			
Salaries	497,887	525,783	1,023,670
Employee benefits	338,340	159,208	497,548
Other expenses	13,957	132,871	146,828
Supplies	589,011	47,256	636,267
Depreciation	16,500	-	16,500
TOTAL OPERATING EXPENSES	1,455,695	865,118	2,320,813
OPERATING INCOME (LOSS)	(654,118)	72,031	(582,087)
NONOPERATING REVENUES			
Earnings on investments	1,413	2,126	3,539
State sources	37,839	-	37,839
Federal sources	589,120	-	589,120
TOTAL NONOPERATING REVENUES	628,372	2,126	630,498
CHANGE IN NET POSITION	(25,746)	74,157	48,411
NET POSITION AT BEGINNING OF YEAR	384,717	380,810	765,527
NET POSITION AT END OF YEAR	$ 358,971	$ 454,967	$ 813,938

See accompanying notes to the basic financial statements.

UPPER MERION AREA SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2013

	Enterprise Funds		Total
	Food Service Fund	Extended Day Fund	Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	$ 816,593	$ 937,149	$ 1,753,742
Payments to employees	(836,227)	(665,646)	(1,501,873)
Payments to suppliers	(289,700)	(210,064)	(499,764)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(309,334)	61,439	(247,895)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Facility acquisition, construction and improvements	(3,489)	-	(3,489)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
State sources	37,626	-	37,626
Federal sources	585,611	-	585,611
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	623,237	-	623,237
CASH FLOWS FROM INVESTING ACTIVITIES			
Earnings on investments	1,413	2,126	3,539
NET INCREASE IN CASH AND CASH EQUIVALENTS	311,827	63,565	375,392
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	283,756	716,969	1,000,725
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 595,583	$ 780,534	$ 1,376,117

UPPER MERION AREA SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2013

	Enterprise Funds		Total
	Food Service Fund	Extended Day Fund	Proprietary Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	$ (654,118)	$ 72,031	$ (582,087)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	16,500	-	16,500
Decrease in			
Receivables	8,775	-	8,775
Inventories	3,183	-	3,183
Increase (decrease) in			
Accounts payable	7,219	1,957	9,176
Accrued payroll	11,966	22,146	34,112
Due to other funds	290,900	(4,758)	286,142
Unearned revenue	6,241	(29,937)	(23,696)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ (309,334)	$ 61,439	$ (247,895)
SUPPLEMENTAL DISCLOSURES			
Noncash activities			
Donated foods	$ 64,593	$ -	$ 64,593

See accompanying notes to the basic financial statements.

UPPER MERION AREA SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2013

	Private-Purpose Trust Fund	Agency Funds
ASSETS		
Cash and cash equivalents	$ 231,194	$ 401,434
LIABILITIES AND NET POSITION		
LIABILITIES		
Other current liabilities	$ -	$ 401,434
NET POSITION		
Held in trust for scholarships	231,194	-
TOTAL LIABILITIES AND NET POSITION	$ 231,194	$ 401,434

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, 2013

	Private-Purpose Trust Fund
ADDITIONS	
Donations	$ 17,031
Investment income	757
TOTAL ADDITIONS	17,788
DEDUCTIONS	
Scholarships	31,043
CHANGE IN NET POSITION	(13,255)
NET POSITION AT BEGINNING OF YEAR	244,449
NET POSITION AT END OF YEAR	$ 231,194

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 School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its Proprietary Funds provided they do not conflict with or contradict GASB pronouncements. 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. 39, *Determining Whether Certain Organizations Are Component Units*, 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. 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. 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. 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 *R.A.C.P. Grant Fund* are accounted for in this fund type.

Proprietary Funds

Food Service and Extended Day Funds - The Food Service and Extended Day Funds are 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.

Fiduciary Funds

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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.

Investments

Investments are valued at fair value.

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.

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 $500 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, as well as issuance costs, 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 reported as deferred charges and amortized over the term of the related debt.

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.

Compensated Absences

Unused vacation amounts may be carried forward for one fiscal year only, except for bus drivers and custodians who may carry vacation forward for 1 1/2 years. 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 30 days. Teachers and 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 only one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition prices. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the Governmental Funds balance sheet. The Governmental Funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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.

Fund Equity

In the fund financial statements, Governmental Funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Assignments, commitments and restrictions of fund balances represent tentative management plans that are subject to change.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration and project control in the General Fund. Encumbrances outstanding at year-end are reported as reservations of fund balance since they do not constitute expenditures or liabilities.

Use of Estimates

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

Fund Balance

The School District has 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, 2013 was $19,767,253. As of June 30, 2013, $20,298,219 of the School District's bank balance of $21,048,929 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	$ 20,298,219

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, 2013, the School District had the following investments and maturities:

Investment Type	Maturities	Fair Value
Certificates of deposit	$ 1,025,070	$ 1,025,070
State investment pools	2,521,426	2,521,426
	$ 3,546,496	$ 3,546,496

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, 2013, the School District's investment in the state investment pool 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 Valley Green Bank	$ 1,025,070

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

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, 2013, 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	Food Service Fund
Real estate taxes	$ 1,117,372	$ -
Other revenue	155,653	8,392
	$ 1,273,025	$ 8,392

NOTE E INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2013, is as follows:

Due to/from Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Food Service Fund	$ 331,691
General Fund	Extended Day Fund	201,304
Capital Reserve Fund	General Fund	1,500,000
		$ 2,032,995

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	$ 1,510,100

NOTE F CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	$ 3,778,132	$ -	$ -	$ 3,778,132
Construction in progress	254,665	305,028	(559,693)	-
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	4,032,797	305,028	(559,693)	3,778,132
Capital assets being depreciated				
Buildings and site improvements	99,143,734	559,693	-	99,703,427
Furniture and equipment	21,662,484	2,872,580	(1,808,409)	22,726,655
TOTAL CAPITAL ASSETS BEING DEPRECIATED	120,806,218	3,432,273	(1,808,409)	122,430,082
Accumulated depreciation	(44,059,079)	(3,947,423)	1,808,409	(46,198,093)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	76,747,139	(515,150)	-	76,231,989
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	80,779,936	(210,122)	(559,693)	80,010,121
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated				
Furniture and equipment	324,336	3,489	-	327,825
Accumulated depreciation	(221,951)	(16,500)	-	(238,451)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	102,385	(13,011)	-	89,374
CAPITAL ASSETS, net	$ 80,882,321	$ (223,133)	$ (559,693)	$ 80,099,495

NOTE G LEASES

Capital Leases

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

The assets acquired through capital leases are as follows:

Building improvements	$ 2,130,331
Equipment	1,921,315
	4,051,646
Accumulated depreciation	(2,326,615)
	$ 1,725,031

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

Year Ending June 30,	Amount
2014	$ 429,900
2015	429,900
Amount representing interest	(44,051)
PRESENT VALUE OF MINIMUM LEASE PAYMENTS	$ 815,749

NOTE H LONG-TERM DEBT

General Obligation Bonds

Bonded debt payable at June 30, 2013, is comprised of the following individual issues:

General Obligation Bonds, Series of 2004, $10,580,000 due in annual principal installments ranging from $575,000 to $1,100,000 through March 1, 2017, interest rate is fixed at 5.35%	$ 4,065,000
General Obligation Bonds, Series of 2004A, $19,465,000 due in annual principal installments ranging from $310,000 to $1,165,000 through February 15, 2020, interest rate is variable from 2.50% to 5.00%	3,080,000
General Obligation Bonds, Series of 2004B, $20,640,000 due in annual principal installments ranging from $5,000 to $1,550,000 through February 15, 2025, interest rate is variable from 1.85% to 4.75%	11,430,000
General Obligation Bonds, Series of 2005, $24,565,000 due in annual principal installments ranging from $1,255,000 to $2,365,000 through July 15, 2017, interest rate is variable from 2.05% to 5.00%	10,750,000
General Obligation Bonds, Series of 2011, $9,995,000 due in annual principal installments ranging from $5,000 to $4,335,000 through February 15, 2021, interest rate is variable from 0.60% to 3.25%	9,980,000
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%	9,995,000
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%	9,865,000
	$ 59,165,000

Annual debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest
2014	$ 5,015,000	$ 1,945,834
2015	6,240,000	1,775,239
2016	6,460,000	1,534,566
2017	6,375,000	1,259,121
2018	6,920,000	1,035,741
2019 to 2023	23,495,000	2,463,983
2024 to 2025	4,660,000	148,390
	$ 59,165,000	$ 10,162,874

General Obligation Bonds, Series of 2012

On September 10, 2012, the School District issued General Obligation Bonds, Series of 2012. The bonds were issued for the purpose of refunding a portion of the School District's General Obligation Bonds, Series A of 2004 and Series of 2007, and the payment of financing costs. The bonds are scheduled to periodically mature from 2017 through 2025 with interest charged at rates from .30% to 5.00%. This new issue will decrease debt service payments for the School District by $1,004,341.

General Obligation Bonds, Series of 2013

On May 8, 2013, the School District issued General Obligation Bonds, Series of 2013. The bonds were issued for the purpose of refunding a portion of the School District's General Obligation Bonds, Series of 2003, Series B of 2004 and Series of 2007, and the payment of financing costs. The bonds are scheduled to periodically mature from 2017 through 2025 with interest charged at rates from .30% to 5.35%. This new issue will decrease debt service payments for the School District by $1,061,177.

NOTE I CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2013, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
GENERAL OBLIGATION BONDS					
Series of 2003	$ 3,070,000	$ -	$ (3,070,000)	$ -	$ -
Series of 2004	4,955,000	-	(890,000)	4,065,000	935,000
Series of 2004A	7,435,000	-	(4,355,000)	3,080,000	935,000
Series of 2004B	15,620,000	-	(4,190,000)	11,430,000	730,000
Series of 2005	12,620,000	-	(1,870,000)	10,750,000	1,950,000
Series of 2006	55,000	-	(55,000)	-	-
Series of 2007	9,335,000	-	(9,335,000)	-	-
Series of 2011	9,985,000	-	(5,000)	9,980,000	165,000
Series of 2012	-	9,995,000	-	9,995,000	190,000
Series of 2013	-	9,995,000	(130,000)	9,865,000	110,000
TOTAL GENERAL OBLIGATION BONDS	63,075,000	19,990,000	(23,900,000)	59,165,000	5,015,000
ADVANCE ON REFUNDING	248,753	-	(53,305)	195,448	53,305
CAPITAL LEASES	438,223	1,495,330	(1,117,804)	815,749	429,900
BOND PREMIUMS AND DISCOUNTS, net	971,885	111,627	(615,898)	467,614	96,097
EARLY RETIREMENT	843,500	175,000	(252,500)	766,000	252,500
COMPENSATED ABSENCES	4,783,942	550,389	(304,447)	5,029,884	502,988
NET OPEB OBLIGATION	425,942	197,835	-	623,777	-
TOTAL LONG-TERM LIABILITIES	$ 70,787,245	$ 22,520,181	$ (26,243,954)	$ 67,063,472	$ 6,349,790

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, 2013, the School District has defeased debt outstanding of $15,365,000.

NOTE K UNEARNED REVENUE

Food Service Fund

Unearned revenue of $18,632 in the Food Service Fund represents the carryover of student deposits. Unearned revenue of $6,266 represents unearned donated foods revenue.

Extended Day Fund

Unearned revenue of $100,160 represents deposits received for July and August summer camp programs and student deposits for the fall extended day programs.

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,	
2014	$ 142,018
2015	545,690
2016	547,286
2017	549,562
2018 and thereafter	3,837,444
	$ 5,622,000

NOTE M PENSIONS

School districts in the Commonwealth of Pennsylvania participate in a state administered pension program. Under the program, contributions are made by each of three parties--the School District, the state and the employee. All full-time employees of the School District and part-time employees who meet certain minimum employment requirements participate in the program.

Plan Description

Name of Plan: Public School Employees' Retirement System (the "System").

Type of Plan: Governmental cost-sharing multiple-employer defined benefit plan.

Benefits: Retirement and disability, legislatively mandated *ad hoc* cost-of-living adjustments, healthcare insurance premium assistance to qualifying annuitants.

Authority: The Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended) (24 Pa. C. S. 8101-8535).

Annual Financial Report: The System issues a comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Beth Girman, Office of Financial Management, Public School Employees' Retirement System, 5 North 5th Street, Harrisburg, PA 17101-1905. The CAFR is also available on the publications page of the PSERS website at www.psers.state.pa.us.

Funding Policy

Authority: The contribution policy is established in the Public School Employees' Retirement Code and requires contributions by active members, employers and the Commonwealth.

Contribution Rates

Member 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 service 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 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 Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

Employer Contributions: Contributions required of employers are based upon an actuarial valuation. For the fiscal year ended June 30, 2013, the rate of employer's contribution was 12.36% of covered payroll. The 12.36% rate is composed of a pension contribution rate of 11.50% for pension benefits and .86% for healthcare insurance premium assistance.

The School District's contribution to PSERS for the years ended June 30, 2013, 2012 and 2011, was $4,791,530, $3,219,191 and $2,205,404, respectively, equal to the required contribution for each year.

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 $215,644 at June 30, 2013, 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 $4,814,240 at June 30, 2013, is recorded in compensated absences on the statement of net position.

In addition, $766,000 of future payments related to obligations under the School District's Early Retirement Incentive Plan is recorded on the statement of net position.

NOTE O POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

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.

Annual OPEB Cost and Net OPEB Obligation

The School District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the School District's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the School District's net OPEB obligation to the plan:

Normal cost	$ 224,157
Amortization of unfunded actuarial accrued liability	190,627
ANNUAL REQUIRED CONTRIBUTION (ARC)	414,784
Interest on net OPEB obligation	19,167
Adjustment to ARC	(26,149)
ANNUAL OPEB EXPENSE	407,802
Net OPEB contributions during the year	(209,967)
INCREASE IN NET OPEB OBLIGATION	197,835
Net OPEB obligation at beginning of year	425,942
NET OPEB OBLIGATION AT END OF YEAR	$ 623,777

Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	$ 383,639	58.7%	$ 285,248
2012	381,045	63.1%	425,942
2013	407,802	51.5%	623,777

Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $3,105,104 and the actuarial value of assets was $0, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $37,850,224, and the ratio of the UAAL to the covered payroll was 8.20%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information on page 54, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions

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

In the July 1, 2012 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 7.5%, reduced by decrements of .5% to an ultimate rate of 5.5% after four years. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2013, was 30 years.

NOTE P 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 Q 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 R PRIOR PERIOD ADJUSTMENT

The School District implemented Governmental Accounting Standards Board Statement (GASB) No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources, and Net Position,* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective July 1, 2012.

GASB Statement No. 65 states that debt issuance costs should be recognized as an outflow of resources in the period incurred rather than recognized over the life of the debt incurred.

For the government-wide governmental activities, the School District has treated debt issuance costs of $634,183 previously incurred and being amortized over the life of the related debt as having been recognized in the period incurred. The School District has adjusted beginning net position for the governmental activities from $20,270,725 to $19,636,542. The effect on the June 30, 2012 change in net position results in an increase in governmental activities net position by $90,526.

REQUIRED SUPPLEMENTARY INFORMATION

UPPER MERION AREA SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2013

	Budgeted Amounts			Variance Favorable
	Original	Final	Actual	(Unfavorable)
REVENUES				
Local sources	$ 68,063,986	$ 68,063,986	$ 70,570,084	$ 2,506,098
State sources	9,134,469	9,134,469	8,586,039	(548,430)
Federal sources	1,340,000	1,340,000	1,201,168	(138,832)
TOTAL REVENUES	78,538,455	78,538,455	80,357,291	1,818,836
EXPENDITURES				
Instruction				
Regular programs	29,474,396	28,648,804	28,657,787	(8,983)
Special programs	10,658,568	9,772,094	9,786,773	(14,679)
Vocational programs	2,483,434	2,480,426	2,469,973	10,453
Other instructional programs	810,280	688,252	682,115	6,137
TOTAL INSTRUCTION	43,426,678	41,589,576	41,596,648	(7,072)
Support services				
Pupil personnel services	3,271,572	3,443,122	3,443,129	(7)
Instructional staff services	2,613,790	2,490,875	2,495,314	(4,439)
Administration services	4,109,640	3,727,826	3,724,439	3,387
Pupil health	979,075	953,268	945,088	8,180
Business services	905,357	846,778	861,878	(15,100)
Operation and maintenance of plant services	6,974,834	6,424,188	6,410,401	13,787
Student transportation services	4,326,654	3,999,385	4,001,162	(1,777)
Central services	1,215,318	1,516,970	1,514,847	2,123
Other support services	59,145	56,852	56,852	-
TOTAL SUPPORT SERVICES	24,455,385	23,459,264	23,453,110	6,154
Non-instructional services				
Student activities	1,513,866	1,502,696	1,492,649	10,047
Community services	90,000	91,306	91,306	-
TOTAL NON-INSTRUCTIONAL SERVICES	1,603,866	1,594,002	1,583,955	10,047
Refund of prior year revenues	-	574,204	574,204	-
Capital outlay	-	1,923,280	1,965	1,921,315
Debt service	8,982,744	8,494,418	20,572,864	(12,078,446)
TOTAL EXPENDITURES	78,468,673	77,634,744	87,782,746	(10,148,002)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES FORWARD	$ 69,782	$ 903,711	$ (7,425,455)	$ (8,329,166)

UPPER MERION AREA SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2013

	Budgeted Amounts			Variance Favorable
	Original	Final	Actual	(Unfavorable)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES FORWARDED	$ 69,782	$ 903,711	$ (7,425,455)	$ (8,329,166)
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of fixed assets	-	-	217,000	217,000
Refunding bonds issued	-	-	19,990,000	19,990,000
Premium on refunding bonds issued	-	-	111,627	111,627
Payment to refunded bond escrow agent	-	(308,446)	(7,949,550)	(7,641,104)
Interfund transfers out	-	(525,483)	(1,510,100)	(984,617)
Budgetary reserve	(250,000)	(250,000)	-	250,000
TOTAL OTHER FINANCING SOURCES (USES)	(250,000)	(1,083,929)	10,858,977	11,942,906
NET CHANGE IN FUND BALANCE	$ (180,218)	$ (180,218)	3,433,522	$ 3,613,740
FUND BALANCE AT BEGINNING OF YEAR			7,186,022	
FUND BALANCE AT END OF YEAR			$ 10,619,544	

See accompanying notes to the basic financial statements.

UPPER MERION AREA SCHOOL DISTRICT
NOTE TO THE BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2013

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. Formal budgetary integration is not employed for the Special Revenue Funds. Formal budgetary integration is also not employed for the Debt Service Fund because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.

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

POSTEMPLOYMENT BENEFITS OTHER THAN
PENSION FUNDING PROGRESS
Year Ended June 30, 2013

SCHEDULE OF FUNDING PROGRESS

Valuation Date July 1,	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability (AAL)	(c) Unfunded AAL (UAAL) (b)-(a)	(d) Funded Ratio (a)/(b)	(e) Covered Payroll	(f) UAAL as a Percentage of Covered Payroll (c)/(e)
2008	$ -	$ 2,080,235	$ 2,080,235	0%	$ 32,216,372	6.46%
2010	-	2,907,701	2,907,701	0%	34,851,473	8.34%
2012	-	3,105,104	3,105,104	0%	37,850,224	8.20%

SUPPLEMENTARY INFORMATION SECTION

UPPER MERION AREA SCHOOL DISTRICT

SCHEDULE OF CURRENT REAL ESTATE SETTLEMENTS

GENERAL FUND

Year Ended June 30, 2013

	Borough of Bridgeport		Borough of West Conshohocken	
	Assessed Valuation	Tax at 17.49 Mills	Assessed Valuation	Tax at 17.49 Mills
CHARGES AGAINST TAX COLLECTORS				
Original duplicate	$ 179,566,203		$ 273,839,670	
Net reductions by Montgomery County Board of Assessment (Homestead Exclusion)	(3,301,971)		(1,425,192)	
TOTAL CHARGES AGAINST TAX COLLECTORS	$ 176,264,232	$ 3,082,861	$ 272,414,478	$ 4,764,529
CREDITS TO COLLECTORS				
Cash received from tax collectors				
Amount paid at discount	$ 2,395,092		$ 4,296,447	
Amount paid at face	395,881		252,639	
Amount paid at penalty	117,412		49,567	
NET TAX RECEIVED		$ 2,908,385		$ 4,598,653
Add 2% discount		50,259		87,116
Less 10% penalty		(9,257)		(4,506)
FACE AMOUNT OF TAXES COLLECTED		2,949,387		4,681,263
Delinquent taxes liened with the county treasurer		133,474		83,266
TOTAL CREDITS TO COLLECTORS		$ 3,082,861		$ 4,764,529
	At Face	%	At Face	%
Collected at discount	$ 2,445,351	79.3%	$ 4,383,563	92.0%
Collected at face	395,881	12.8%	252,639	5.3%
Collected at penalty	108,155	3.5%	45,061	0.9%
TOTAL COLLECTED BY SCHOOL DISTRICT	2,949,387	95.6%	4,681,263	98.2%
Liened taxes	133,474	4.4%	83,266	1.8%
TOTAL DUPLICATE	$ 3,082,861	100.0%	$ 4,764,529	100.0%

Township of Upper Merion		Totals	
Assessed Valuation	Tax at 17.49 Mills	Assessed Valuation	Tax at 17.49 Mills
$ 3,412,882,123		$ 3,866,287,996	
(55,360,320)		(60,087,483)	
$ 3,357,521,803	$ 58,723,056	$ 3,806,200,513	$ 66,570,446
$ 52,520,138		$ 59,211,677	
2,572,819		3,221,339	
1,859,267		2,026,246	
	$ 56,952,224		$ 64,459,262
	1,079,331		1,216,706
	(169,024)		(182,787)
	57,862,531		65,493,181
	860,525		1,077,265
	$ 58,723,056		$ 66,570,446
At Face	%	At Face	%
$ 53,599,469	91.3%	$ 60,428,383	90.8%
2,572,819	4.4%	3,221,339	4.8%
1,690,243	2.9%	1,843,459	2.8%
57,862,531	98.6%	65,493,181	98.4%
860,525	1.4%	1,077,265	1.6%
$ 58,723,056	100.0%	$ 66,570,446	100.0%

UPPER MERION AREA SCHOOL DISTRICT

SCHEDULE OF REVENUES
BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2013

		Budgeted Revenue	Actual Revenue	Over (Under) Budget
6000	REVENUE FROM LOCAL SOURCES			
6111	Current real estate taxes	$ 64,556,661	$ 65,286,864	$ 730,203
6112	Interim real estate taxes	278,000	734,781	456,781
6113	Public utility realty tax	83,000	85,151	2,151
6143	Occupational privilege taxes	230,000	240,705	10,705
6153	Real estate transfer tax	1,205,000	913,575	(291,425)
6154	Amusement taxes	42,000	23,132	(18,868)
6410	Delinquent real estate tax	600,000	982,661	382,661
6440	Delinquent 511 and amusement taxes	5,000	7,856	2,856
6500	Earnings on investments	50,000	140,337	90,337
6700	Revenue from student activities	15,000	14,714	(286)
6910	Rentals	620,000	638,121	18,121
6940	Tuitions	55,000	2,590	(52,410)
6990	Miscellaneous revenue	324,325	1,499,597	1,175,272
	TOTAL 6000 REVENUE FROM LOCAL SOURCES	68,063,986	70,570,084	2,506,098
7000	REVENUE FROM STATE SOURCES			
7110	Basic instructional subsidy	1,966,812	1,966,379	(433)
7271	Special education subsidy	1,398,213	1,398,213	-
7310	Transportation	738,534	755,043	16,509
7320	Rentals and sinking fund payments	262,753	173,391	(89,362)
7330	Medical and dental subsidy	82,000	-	(82,000)
7340	State property tax reduction	611,303	611,303	-
7500	Extra grants	10,697	-	(10,697)
7501	Pennsylvania accountability grant	-	41,813	41,813
7800	State's share of FICA payments	1,561,753	1,442,621	(119,132)
7810	State's share of retirement	2,502,404	2,197,276	(305,128)
	TOTAL 7000 REVENUE FROM STATE SOURCES	9,134,469	8,586,039	(548,430)
8000	REVENUE FROM FEDERAL SOURCES			
8190	E-Rate grant	-	545	545
8512	IDEA revenue	700,000	600,097	(99,903)
8514	Title I	280,000	304,133	24,133
8515	Title II	110,000	38,895	(71,105)
8516	Title III	20,000	30,732	10,732
8690	C.A.S.T. grant	100,000	63,558	(36,442)
8709	Education Jobs Fund	-	100	100
8810	Federal Access funds	95,000	125,000	30,000
8820	Medical Assistance reimbursement	35,000	38,108	3,108
	TOTAL 8000 REVENUE FROM FEDERAL SOURCES	1,340,000	1,201,168	(138,832)
	TOTAL REVENUES	$ 78,538,455	$ 80,357,291	$ 1,818,836

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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, 2013, 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 December 26, 2013.

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

To the Board of School Directors
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.

Maillie LLP

Oaks, Pennsylvania
December 26, 2013

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Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance with OMB Circular A-133

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) Circular A-133 *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, 2013. 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 the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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.

Opinion on Each Major Federal Program

In our opinion, the 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, 2013.

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

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 the 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Maillie LLP

Oaks, Pennsylvania
December 26, 2013

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, 2013

Federal Grantor/Project Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Dates
U.S. DEPARTMENT OF EDUCATION				
Passed through the Pennsylvania Department of Education				
Title I	I	84.010	13-120451	July 21, 2011 to September 30, 2012
Title I	I	84.010	13-130451	August 23, 2012 to September 30, 2013
Title III	I	84.365	10-120451	July 21, 2011 to September 30, 2012
Title III	I	84.365	10-130451	August 23, 2012 to September 30, 2014
Academic Achievement Award	I	84.010	077-110451	August 3, 2010 to September 30, 2011
Title II/A	I	84.367	20-120451	July 21, 2011 to September 30, 2012
Title II/A	I	84.367	20-130451	August 23, 2012 to September 30, 2014
Education Jobs - ARRA	I	84.410	140-120451	July 1, 2012 to September 30, 2012
IDEA	I	84.391	62-02014	July 1, 2012 to June 30, 2013
IDEA	I	84.027	62-02014	July 1, 2011 to June 30, 2012
IDEA	I	84.027	62-02014	July 1, 2012 to June 30, 2013
TOTAL FORWARD				
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Drug Free Communities		93.276	044-007451	October 1, 2008 to September 30, 2013
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES FORWARD				

Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue at July 1, 2012	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue at June 30, 2013
$ 313,533	$ 57,023	$ 57,023	$ -	$ -	$ -
299,846	281,355	-	299,846	299,846	18,491
43,576	22,193	11,334	10,859	10,859	-
46,372	16,561	-	19,873	19,873	3,312
5,000	4,286	-	4,286	4,286	-
107,224	6,690	6,690	-	-	-
108,503	38,895	-	38,895	38,895	-
2,031	2,131	2,031	100	100	-
2,121	2,121	-	2,121	2,121	-
615,114	40,868	40,868	-	-	-
597,976	198,935	-	597,976	597,976	399,041
2,141,296	671,058	117,946	973,956	973,956	420,844
400,000	23,141	4,293	63,558	63,558	44,710
$ 400,000	$ 23,141	$ 4,293	$ 63,558	$ 63,558	$ 44,710

UPPER MERION AREA SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AND CERTAIN STATE AWARDS

Year Ended June 30, 2013

Federal Grantor/Project Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Dates
U.S. DEPARTMENT OF EDUCATION				
TOTAL FORWARDED				
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
TOTAL FORWARDED				
U.S. DEPARTMENT OF AGRICULTURE				
Passed through the Pennsylvania Department of Education				
Child Nutrition Cluster				
National School Lunch Program	I	10.555	N/A	July 1, 2011 to June 30, 2012
National School Lunch Program	I	10.555	N/A	July 1, 2012 to June 30, 2013
National School Breakfast Program	I	10.553	N/A	July 1, 2011 to June 30, 2012
National School Breakfast Program	I	10.553	N/A	July 1, 2012 to June 30, 2013
Fresh Fruit and Vegetable Program	I	10.582	N/A	July 1, 2012 to June 30, 2013
National School Lunch Program	S	N/A	N/A	July 1, 2011 to June 30, 2012
National School Lunch Program	S	N/A	N/A	July 1, 2012 to June 30, 2013
Passed through the Pennsylvania Department of Agriculture				
National School Lunch Program	I	10.555	N/A	July 1, 2012 to June 30, 2013
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.

Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue at July 1, 2012	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue at June 30, 2013
$ 2,141,296	$ 671,058	$ 117,946	$ 973,956	$ 973,956	$ 420,844
400,000	23,141	4,293	63,558	63,558	44,710
-	12,688	12,688	-	-	-
-	436,607	-	455,868	455,868	19,261
-	1,825	1,825	-	-	-
-	57,798	-	57,798	57,798	-
-	12,101	-	12,101	12,101	-
-	1,239	1,239	-	-	-
-	36,389	-	37,843	37,843	1,454
-	68,106	(2,753)	64,593	64,593	(6,266)
-	626,753	12,999	628,203	628,203	14,449
2,541,296	1,320,952	135,238	1,665,717	1,665,717	480,003
-	(37,628)	(1,239)	(37,843)	(37,843)	(1,454)
$ 2,541,296	$ 1,283,324	$ 133,999	$ 1,627,874	$ 1,627,874	$ 478,549

UPPER MERION AREA SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AND CERTAIN STATE AWARDS
Year Ended June 30, 2013

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 DONATED FOODS

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

NOTE C PROGRAM DISCLOSURES

U.S. Department of Education

Funds passed through the Pennsylvania Department of Education under Title I are used primarily to provide education to economically disadvantaged children. Funds received under other grants are used to support instructional programs.

U.S. Department of Agriculture

Funds passed through the Pennsylvania Departments of Education and Agriculture are used to provide nutritional meals to economically disadvantaged children.

UPPER MERION AREA SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2013

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of the Upper Merion Area School District.

2. No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards.*

3. No instances of noncompliance material to the financial statements of the Upper Merion Area School District were disclosed during the audit.

4. No significant deficiencies relating to the audit of the major federal awards programs are reported in the Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance with OMB Circular A-133.

5. The auditors' report on compliance for the major award programs for the Upper Merion Area School District expresses an unmodified opinion.

6. There were no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.

7. The program tested as a major program was:

Program	CFDA
Child Nutrition Cluster	10.553, 10.555

8. The threshold used for distinguishing Types A and B programs was $300,000.

9. Upper Merion Area School District was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None.

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

None.