



LOWER MERION SCHOOL DISTRICT
Financial Statements
June 30, 2024
With Independent Auditor's Reports

Lower Merion School District
Table of Contents
June 30, 2024

Independent Auditor’s Report	1-3
Management’s Discussion And Analysis	4-13
Basic Financial Statements	
Statement of Net Position (Deficit)	14
Statement of Activities	15
Fund Financial Statements	
Balance Sheet – Governmental Funds	16
Reconciliation of Governmental Funds Balance Sheet to Net Position (Deficit) of Governmental Activities on the Statement of Net Position (Deficit)	17
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	18
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to Change in Net Position (Deficit) of Governmental Activities on the Statement of Activities	19
Statement of Net Position (Deficit) – Proprietary Fund	20
Statement of Revenues, Expenses and Changes in Net Position (Deficit) – Property Fund	21
Statement of Cash Flows – Proprietary Fund	22-23
Statement of Net Position – Fiduciary Funds	24
Statement of Changes in Net Position – Fiduciary Funds	25
Notes to Financial Statements	26-50
Supplementary Information	
Budgetary Comparison Schedule – General Fund	51
Schedule of the District’s Proportionate Share of the Net Pension Liability - PSERS	52
Schedule of the District’s Pension Plan Contributions - PSERS	53
Schedule of Changes in OPEB Liability – Single Employer Plan	54
Schedule of the District’s Proportionate Share of the Net OPEB Liability - PSERS	55
Schedule of the District’s OPEB Plan Contributions - PSERS	56

Lower Merion School District
Table of Contents
June 30, 2024

Single Audit

Schedule of Expenditures of Federal Awards and Certain State Grants	57-59
Notes to Schedule of Expenditures of Federal Awards and Certain State Grants	60
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	61-62
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by Uniform Guidance	63-65
Schedule of Findings and Questioned Costs	66

INDEPENDENT AUDITOR'S REPORT

To the Board of School Directors of
Lower Merion School District:

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lower Merion School District, Ardmore, Pennsylvania, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Lower Merion School District's basic financial statements as listed in the table of contents.

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 Lower Merion School District, as of June 30, 2024, 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.

Basis for Opinion

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 of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lower Merion School District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lower Merion School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Lower Merion School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lower Merion School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule – General Fund, the schedules of the District's proportionate share of the net pension liability - PSERS and pension plan contributions - PSERS, schedule of changes in OPEB liability single-employer plan, and the schedules of the District's proportionate share of the net OPEB liability - PSERS and OPEB plan contributions - PSERS on pages 4 through 13 and 51 through 56 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Report on Summarized Comparative Information

The Lower Merion School District's 2023 financial statements were previously audited by BBD, LLP, who joined WithumSmith+Brown, PC on April 12, 2024, and expressed unmodified audit opinions on those financial statements in the report dated January 15, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 28, 2025, on our consideration of Lower Merion 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 Lower Merion School District's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "WithumSmith+Brown, PC".

February 28, 2025

Lower Merion School District Management's Discussion and Analysis – Unaudited June 30, 2024

Management's discussion and analysis (the "MD&A") of Lower Merion School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2024. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the financial statements, notes to the financial statements, and supplemental information in this report.

FINANCIAL HIGHLIGHTS

- On a government-wide basis including all governmental activities and business-type activities, the liabilities and deferred inflows of resources exceeded the assets and deferred outflows of resources of the District resulting in a deficit in net position at the close of the 2023-2024 fiscal year of \$31,790,547. During the 2023-2024 fiscal year the District had an increase in total net position of \$19,938,906. The net position of governmental activities increased by \$19,428,810 and the net position of the business-type activities increased by \$510,096. The increase in the net position of governmental activities was primarily due to the results of operations and the change in the District's allocated portion of the PSERS net pension liability and the related changes in the pension deferred outflows and inflows as shown on the Statement of Net Position (Deficit) in the financial statements.
- As of June 30, 2024, the District's governmental funds reported a combined fund balance of \$44,034,229, which is a decrease of \$9,649,825 from the prior year. The decrease was primarily due to capital expenditures in the Capital Projects Fund and Capital Reserve Fund for building and site renovations and repairs.
- The General Fund reported an excess of revenue over expenditures of \$1,969,748, less other net financing uses of \$2,997,050. The other net financing uses were primarily a transfer to the Capital Reserve Fund. This resulted in a decrease in fund balance of \$1,027,302, bringing the General Fund balance to \$27,029,886 as of June 30, 2024.
- General Fund revenues from local sources increased a total of \$9,605,908 over the prior year. This was due to an increase in real estate and interim taxes of \$4,517,526 primarily due to a millage increase of 3.82%, an increase in interest income in the amount of \$2,542,050 due to increasing interest rates, as well as an increase in real estate transfer taxes and delinquent real estate taxes in the amounts of \$747,549 and \$584,609.
- General Fund revenues from state sources increased \$1,744,081 over the prior year. This increase is primarily due to increase in revenue from the basic education funding, the PCCD mental health and safety security grant, and pupil transportation subsidy.
- General Fund revenues from federal sources decreased over the prior year by \$1,062,247 primarily due to a decrease in Medical ACCESS reimbursement and Elementary and Secondary School Emergency Relief funding ("ESSER").
- General Fund expenditures, excluding other financing uses, had a net increase of \$11,842,997 over the prior year primarily due to budgeted increases across all functions. The largest portion of increases were due to schedule salary and wages increases and related benefit costs.
- Net other financing uses in the General Fund decreased compared to the prior year by \$620,059 primarily due to a larger transfer to the Capital Projects Fund in 2022-2023 compared to 2023-2024.
- During 2023-2024, the Capital Projects Fund had \$5,927,274 in expenditures which was predominantly for a roof replacement project at Penn Valley Elementary School and the final costs to complete Black Rock Middle School.

**Lower Merion School District
Management's Discussion and Analysis – Unaudited
June 30, 2024**

OVERVIEW OF FINANCIAL STATEMENTS

The MD&A is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The first two statements are government-wide financial statements - the Statement of Net Position (Deficit) and the Statement of Activities. These provide both long-term and short-term information about the District's overall financial status.

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position (Deficit) 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 District's net position and how they have changed. Net position, the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, is one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net position are an indication of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the District, you need to consider additional non-financial factors, such as changes in the District's property tax base and the performance of the students.

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

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

FUND FINANCIAL STATEMENTS

The remaining statements are fund financial statements that focus on individual parts of the District's operations in more detail than the government-wide statements. The governmental funds statements tell how the District's operations were financed in the short term as well as what remains for future spending. Proprietary fund statements offer short and long-term financial information about the activities that the District operates like a business. For the District, this represents our Food Service Fund. Fiduciary fund statements provide information about financial relationships where the District acts solely as a trustee or agent for the benefit of others.

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

**Lower Merion School District
Management's Discussion and Analysis – Unaudited
June 30, 2024**

- Proprietary Funds – These funds are used to account for 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, or where there is a significant portion of funding through user charges. When the District charges customers for services it provides - whether to outside customers or to other units in the District - these services are generally reported in proprietary funds. The Food Service Fund is the District's proprietary fund and is the same as the business-type activities reported in the government-wide statements.
- Fiduciary Funds – The District is the trustee, or fiduciary, for assets that belong to others, such as scholarship funds or student activity funds. These assets are not reflected in the government-wide financial statements because the District cannot use these assets to finance its operations.
- Notes to the Financial Statements – The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.
- Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which consists of the budgetary comparison schedule for the General Fund, schedules of the District's proportionate share of the net pension liability-PSERS and pension plan contributions-PSERS, schedule of changes in OPEB liability single-employer plan, and the schedules of the District's proportionate share of the net OPEB liability-PSERS and OPEB plan contributions-PSERS.

FINANCIAL ANALYSIS OF THE DISTRICT - GOVERNMENT-WIDE FINANCIAL STATEMENTS

As noted above, net position may serve over time as a useful indicator of the District's financial condition. At the close of the 2023-2024 fiscal year the District's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$31,790,547. The following table presents condensed information for the Statement of Net Position (Deficit) of the District at June 30, 2024 and 2023.

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Assets						
Current and other assets	\$ 89,106,344	\$ 98,508,122	\$ 3,407,925	\$ 2,897,012	\$ 92,514,269	\$ 101,405,134
Capital assets, net	495,243,634	498,737,961	67,797	81,515	495,311,431	498,819,476
Total assets	584,349,978	597,246,083	3,475,722	2,978,527	587,825,700	600,224,610
Deferred outflows of resources	79,063,698	74,798,074	626,777	585,875	79,690,475	75,383,949
Liabilities						
Current liabilities	44,056,337	43,904,701	415,497	371,058	44,471,834	44,275,759
Noncurrent liabilities	637,554,769	658,871,176	3,565,759	3,530,831	641,120,528	662,402,007
Total liabilities	681,611,106	702,775,877	3,981,256	3,901,889	685,592,362	706,677,766
Deferred inflows of resources	13,629,214	20,523,734	85,146	136,512	13,714,360	20,660,246
Net position (deficit)						
Invested in capital assets						
net of related debt	307,092,467	288,695,305	67,797	81,515	307,160,264	288,776,820
Restricted	20,482,470	27,840,995	-	-	20,482,470	27,840,995
Unrestricted (deficit)	(359,401,581)	(367,791,754)	(31,700)	(555,514)	(359,433,281)	(368,347,268)
Total net position (deficit)	\$ (31,826,644)	\$ (51,255,454)	\$ 36,097	\$ (473,999)	\$ (31,790,547)	\$ (51,729,453)

The District's total assets as of June 30, 2024 were \$587,825,700 of which \$74,122,184 or 12.61% consisted of unrestricted cash and investments and \$495,311,431 or 84.26% consisted of the District's net investment in capital assets. The District's total liabilities as of June 30, 2024 were \$685,592,362 of which \$194,647,590 or 28.39% consisted of general obligation debt used to acquire and construct capital assets and \$416,837,381 or 60.80% consisted of the actuarially determined net pension liability.

The District had a deficit in unrestricted net position of \$359,433,281 at June 30, 2024 which is primarily due to the recognition of the District's PSERS net pension liability.

**Lower Merion School District
Management's Discussion and Analysis – Unaudited
June 30, 2024**

The District's net position invested in capital assets net of accumulated depreciation, less any related debt used to acquire those assets that is still outstanding, was \$307,160,264 as of June 30, 2024. The District uses these capital assets to provide services to students, and are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. For the year ended June 30, 2024, the District's net investment in capital assets increased by \$18,383,444 because the debt used to acquire capital assets was being repaid faster than capital assets acquired with long-term debt were being depreciated and capital assets were acquired with resources other than long-term debt.

The following table presents condensed information for the Statement of Activities of the District for 2024 and 2023. The increase in net position from 2023 to 2024 is significantly higher primarily due to the current year results in operations and the change in the actuarially determined net pension liability and related deferred outflows and inflows.

	Governmental Activities		Business-Type Activities		Totals	
	2024	2023	2024	2023	2024	2023
Revenues						
Program services						
Charges for services	\$ 547,102	\$ 399,953	\$ 2,989,564	\$ 2,666,210	\$ 3,536,666	\$ 3,066,163
Operating grants and contributions	43,430,137	35,986,905	2,114,409	1,873,760	45,544,546	37,860,665
General revenues						
Property taxes	249,977,821	245,232,789	-	-	249,977,821	245,232,789
Other taxes	5,754,791	5,012,066	-	-	5,754,791	5,012,066
Grants, subsidies and contributions not restricted	10,094,127	14,810,400	-	-	10,094,127	14,810,400
Investment earnings	8,194,008	5,686,092	167,281	97,222	8,361,289	5,783,314
Miscellaneous revenue	327,315	986,494	-	-	327,315	986,494
Gain (loss) on sale of capital assets	(196,959)	(109,534)	10,500	-	(186,459)	(109,534)
Total revenues	<u>318,128,342</u>	<u>308,005,165</u>	<u>5,281,754</u>	<u>4,637,192</u>	<u>323,410,096</u>	<u>312,642,357</u>
Expenses						
Instruction	177,258,492	163,575,880	-	-	177,258,492	163,575,880
Instructional student support	23,506,244	22,302,821	-	-	23,506,244	22,302,821
Administrative and financial support	28,366,284	26,479,140	-	-	28,366,284	26,479,140
Operation and maintenance of plant services	23,581,347	21,417,291	-	-	23,581,347	21,417,291
Pupil transportation	19,654,824	17,359,297	-	-	19,654,824	17,359,297
Student activities	6,728,112	6,829,341	-	-	6,728,112	6,829,341
Community services	271,832	234,479	-	-	271,832	234,479
Interest and amortization expense related to noncurrent liabilities	4,911,100	5,775,949	-	-	4,911,100	5,775,949
Unallocated depreciation expense	14,421,297	14,777,410	-	-	14,421,297	14,777,410
Food service	-	-	4,771,658	4,057,997	4,771,658	4,057,997
Total expenses	<u>298,699,532</u>	<u>278,751,608</u>	<u>4,771,658</u>	<u>4,057,997</u>	<u>303,471,190</u>	<u>282,809,605</u>
Change in net position before transfers	\$ <u>19,428,810</u>	\$ <u>29,253,557</u>	\$ <u>510,096</u>	\$ <u>579,195</u>	\$ <u>19,938,906</u>	\$ <u>29,832,752</u>

GENERAL FUND

The General Fund is the District's primary operating fund. At the conclusion of the 2023-2024 fiscal year, the fund balance was \$27,029,886 representing a decrease of \$1,027,302 from the prior year. The decrease in the fund balance is a result of revenues over expenditures of \$1,969,748, reduced by other net financing uses of \$2,997,050, primarily for transfers to the Capital Reserve Fund. The following analysis has been provided to assist the reader in understanding the financial activities of the General Fund during the 2023-2024 fiscal year.

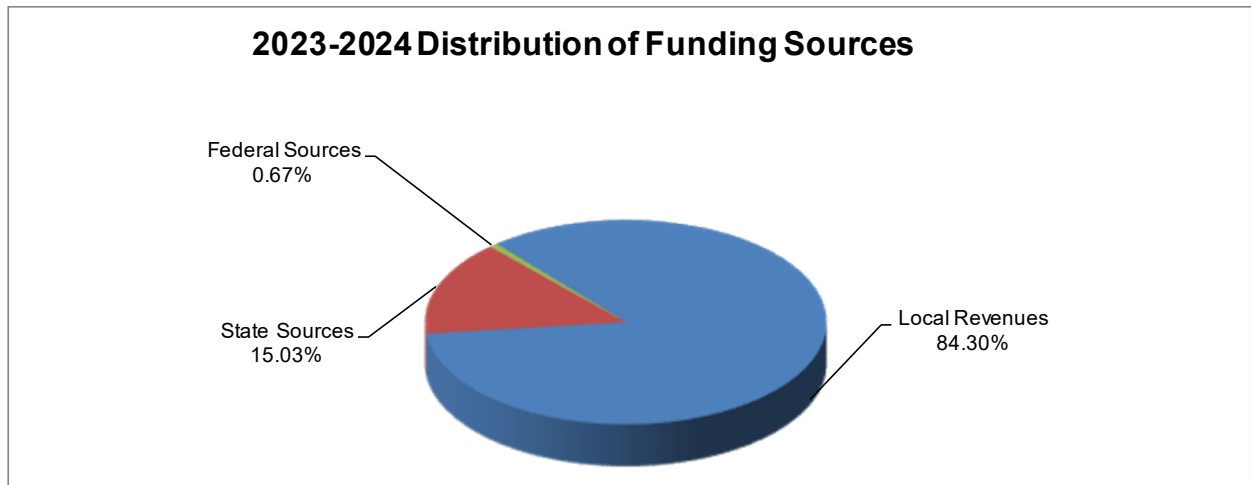
At June 30, 2023, the District reported an unassigned fund balance of \$4,836,759. The unassigned fund balance represents 1.47% of the \$329,276,595 2024-2025 General Fund budgeted expenditures which is in accordance with guidelines prescribed by the Pennsylvania Department of Education which allow a maximum of 8.00%.

**Lower Merion School District
Management's Discussion and Analysis – Unaudited
June 30, 2024**

General Fund Revenues

General Fund revenues, which totaled \$317,283,709, increased \$10,287,739 or 3.35% over prior year revenues. The following table reflects a comparison of current year revenues to prior year revenues and 2023-2024 budgeted amounts as follows:

	<u>Revenue 2024</u>	<u>% of Total</u>	<u>Increase (Decrease) From 2023</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>Percentage Increase (Decrease) From 2023</u>
Local sources	\$ 267,483,431	84.30%	\$ 9,605,908	\$ 1,120,763	3.72%
State sources	47,688,936	15.03%	1,744,081	(153,569)	3.80%
Federal sources	<u>2,111,342</u>	<u>0.67%</u>	<u>(1,062,250)</u>	<u>(314,658)</u>	<u>-33.47%</u>
	<u>\$ 317,283,709</u>	<u>100.00%</u>	<u>\$ 10,287,739</u>	<u>\$ 652,536</u>	<u>3.35%</u>



Actual revenue from local sources primarily includes revenue from real estate taxes levied by the District. The increase over prior year is primarily driven by an increase in real estate taxes from tax billings during the year, and an increase in investment earnings. The state source revenue increase over the prior year is primarily due to an increase in basic education funding, the PCCD mental health and safety security grant, and pupil transportation subsidy. The federal source revenue decreased due to reduced Medical ACCESS reimbursement and ESSER funding.

Local revenues were budgeted to increase, and remained strong throughout the year, exceeding budget expectations causing a positive final budget variance. The increase over prior year is primarily driven by more than anticipated collections of real estate transfer tax and investment earnings. The budget variance in state revenue was primarily caused by a decrease in state share of retirement contributions. The final budget variance in federal revenue was due to less Medical ACCESS reimbursements in 2023-2024 than budgeted.

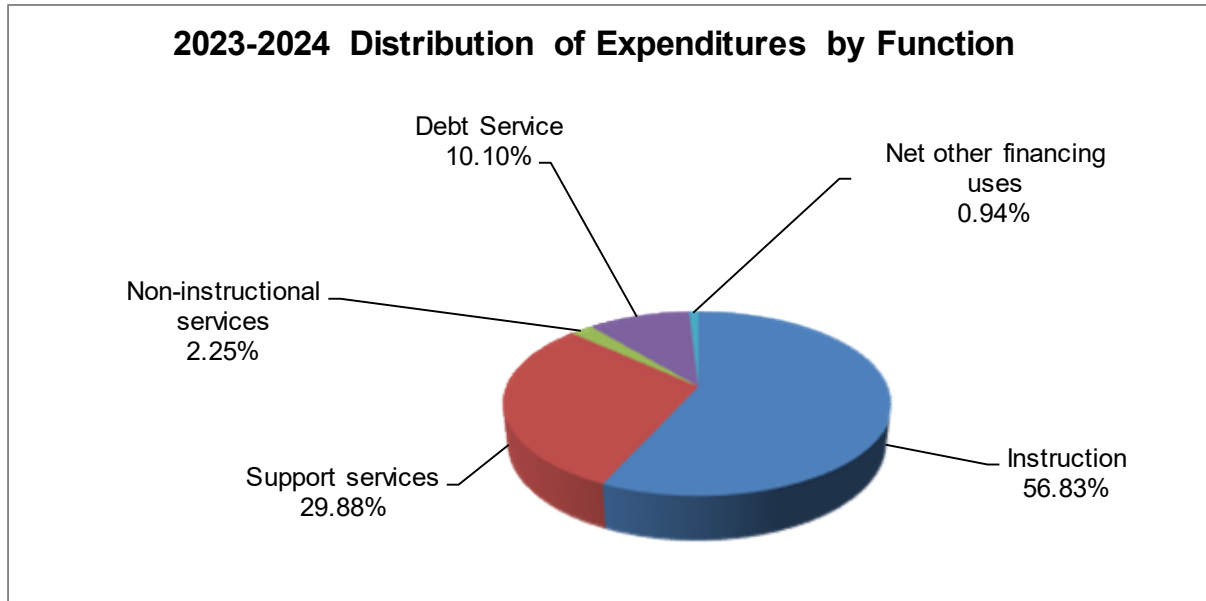
General Fund Expenditures and Other Financing Uses

General Fund expenditures including net other financing uses, which total \$318,311,011, increased \$11,222,938 in 2023-2024 over the 2022-2023 expenditures. Expenditures excluding net other financing uses were under final budget (positive variance) by a combined \$2,162,712, and net other financing uses were under final budget (positive variance) by \$157,0450 for a net total of \$2,320,162 positive variance with final budget.

**Lower Merion School District
Management's Discussion and Analysis – Unaudited
June 30, 2024**

The expenditures are segregated into various programs depending on the functions of the activity. The expenditures for each program are compared to the prior year expenditures, and the 2023-2024 final budget amounts as follows:

	Expenditures And Other Financing Uses 2024	% of Total	Increase (Decrease) From 2023	Variance with Final Budget - Positive (Negative)
Instruction	\$ 180,911,696	56.83%	\$ 7,295,017	\$ 505,238
Support services	95,105,193	29.88%	2,282,280	1,541,950
Non-instructional services	7,146,488	2.25%	(325,972)	115,045
Debt service	32,150,584	10.10%	2,591,672	479
Net other financing uses	2,997,050	0.94%	(620,059)	157,450
Total	\$ 318,311,011	100.00%	\$ 11,222,938	\$ 2,320,162



The increase in the instruction and support services expenses is primarily due to increases in personnel costs and other purchased services. The decrease in net other financing uses compared to the prior year is primarily due to a decrease in the amount transferred out of the General Fund into the Capital Reserve Fund.

CAPITAL PROJECTS FUND

The Capital Projects Fund accounts for construction and renovation activity associated with the District's buildings and major equipment purchases. The Capital Projects Fund receives the majority of its revenues from the issuance of general obligation debt. At June 30, 2024, the District reported a fund balance of \$4,521,873, which is a decrease over the prior year of \$5,263,998. The change was due to \$5,927,274 in capital expenditures in excess of \$349,208 of investment income and \$314,068 of insurance recoveries. The Capital Projects Fund fund balance as of June 30, 2024 is restricted for future capital expenditures.

**Lower Merion School District
Management's Discussion and Analysis – Unaudited
June 30, 2024**

CAPITAL RESERVE FUND

The Capital Reserve Fund accounts for major equipment purchases and some renovations related to the District's buildings and receives the majority of its revenues from transfers from the General Fund. At June 30, 2024, the District reported a Capital Reserve Fund fund balance of \$7,711,497, which is a decrease over the prior year of \$3,600,958. The Capital Reserve Fund reported capital expenditures of \$6,822,354 in excess of investment income of \$321,396 and a \$2,900,000 transfer from the General Fund. The fund balance as of June 30, 2024 is restricted for future capital expenditures.

DEBT SERVICE FUND

The Debt Service Fund accounts for funds restricted for the payment of a portion of the District's debt service on outstanding general obligation debt. During 2023-2024, the Debt Service Fund fund balance increased by \$242,433 which consisted entirely of interest income. At June 30, 2024, the Debt Service Fund reported a fund balance of \$4,770,973 which will be used for a portion of future debt service needs.

BUSINESS-TYPE ACTIVITIES AND FOOD SERVICE FUND

During 2023-2024, the net position of the business-type activities and Food Service Fund increased by \$510,096. As of June 30, 2024, the business-type activities and Food Service Fund had a net position of \$36,097.

CAPITAL ASSETS

The District's net investment in capital assets for its governmental and business-type activities as of June 30, 2024 amounted to \$495,311,431 net of accumulated depreciation. This investment in capital assets includes land, site improvements, buildings and improvements, furniture and equipment, right-to-use lease and subscription assets and vehicles. The total decrease in the District's investment in capital assets, net of accumulated depreciation, for the current fiscal year was \$3,508,045 or 0.70%. Current year capital additions were \$11,128,433, depreciation expense was \$14,439,519 and the net book value of disposed of capital assets was \$196,959. The major capital addition for the current fiscal year was \$6,010,667 for the Penn Valley Elementary School roof replacement and \$3,331,256 for the construction of the Black Rock Middle School.

More detailed information about the District's capital assets is presented in the notes to the financial statements.

LONG-TERM DEBT AND NONCURRENT LIABILITIES

At the end of the current fiscal year, the District had total general obligation debt of \$194,647,590 consisting of \$174,170,000 in bonds payable and net deferred credits of \$20,477,590. The entire amount is backed by the full faith and credit of the District. The District issues bonds to finance capital expenditures or to finance the retirement (refund) of existing debt. The District's general obligation debt decreased by a net amount of \$27,121,547 or 12.23% during the fiscal year.

The District maintains an Aaa rating from Moody's.

State statutes limit the amount of general obligation debt the District may issue up to 225% of its borrowing base capacity which is calculated as the annual arithmetic average of the total revenues for the preceding three fiscal years. The District's outstanding general obligation debt as of June 30, 2024 is under the District's current debt limitation of \$691,614,828.

Lower Merion School District Management's Discussion and Analysis – Unaudited June 30, 2024

The District reports its allocated portion of its defined benefit unfunded benefit obligation related to its participation in PSERS. The District's allocated portion of the net pension liability totaled \$416,837,381 as of June 30, 2024. This is an actuarially determined estimate of the District's proportionate share of the unfunded cost of the PSERS pension plan obligation. The District's net pension liability allocation increased by \$4,393,817 or 1.07% during the fiscal year.

The District reports a liability for its other post-employment benefits ("OPEB") related to its single employer OPEB plan and its participation in the PSERS health insurance premium assistance program. The District's net OPEB liability is an actuarially determined estimate of the unfunded cost of the OPEB obligation which totaled \$27,085,611 as of June 30, 2024. The District's combined net OPEB liability increased by \$261,201 or 0.97% during the fiscal year.

Other noncurrent liabilities consist of the District's liability for compensated absences and lease and subscription liabilities which totaled \$2,549,946 as of June 30, 2024. These liabilities increased by \$1,185,050 or 86.82% during the fiscal year.

More detailed information about the District's long-term debt and noncurrent liabilities is presented in the notes to the financial statements.

FACTORS BEARING ON THE DISTRICT'S FUTURE

The District has identified the following factors related to the District's future:

- The District adopted a budget for 2024-2025 totaling \$329,726,595 in which the real estate tax millage was increased to 33.9110 mills or 4.69%. The budget projects to use \$2,900,000 of restricted fund balance.
- The District is experiencing significant shortage of bus drivers which will likely continue over the next year and possibly beyond. The bus driver shortage is nationwide. This has forced the District to implement longer bus runs and increase the number of students on each bus. The continued driver shortage may result in higher costs to provide student transportation in the future.
- The 2024-2025 school year includes implementation of curricular and instructional improvements proposed by multi-year planning teams working in K-4 and 5-8. At each level, teams undertook a reimagining of education to position the District to advance the Strategic Plan in the years ahead. K-4 innovations being implemented in the 2024-2025 school year include the following: an elementary STEM special area class for students in grades 1 through 4, interdisciplinary Problem-Based Learning ("PBL") units in grades K-4, integration of PBL units with existing District Residencies, a new K-4 schedule with expanded core and intervention instructional minutes, dedicated Social Emotional Learning (SEL) and Physical Activity (PA) time, as well as improved early literacy instructional resources. 5-8 innovations being implemented in the 2024-2025 school year include the following: a new schedule with interdisciplinary instructional blocks that include STEM or Humanities focus areas, dedicated intervention time, increased choices for student electives, a new Leadership course, and concentration of world language experiences in 5th grade to advance terminal world language development by high school graduation as well as increased and global citizenship opportunities.
- The District is positioned to handle future fiscal challenges and it will continue to practice prudent fiscal management practices to ensure sufficient funding for its operations and capital spending.

MISSION STATEMENT

Committed to excellence and continuous improvement, the Lower Merion School District strives to ensure that all students achieve their highest level of critical thinking and creativity, that they value themselves and the diversity of others, and that they are knowledgeable, contributing citizens capable of excelling in a rapidly changing world.

**Lower Merion School District
Management's Discussion and Analysis – Unaudited
June 30, 2024**

This is accomplished by individuals engaging in innovative, active experiences tailored to myriad ways of learning and in partnership with our community.

VISION STATEMENT

Students are our reason for being. We create an environment designed to fulfill the individual learning needs and aspirations of each student. The District develops active partnerships at all levels of our learning community and values the individual contribution of each member.

We view learning as dynamic, innovative and collaborative. Individuals learn best when their hearts, minds and spirits are intimately engaged in the learning process. Enter to learn. Go forth to serve.

BELIEFS

Our deepest convictions and values:

- We believe that:
- All people have equal intrinsic worth.
- People learn in different ways and at different rates.
- Each person bears responsibility for the well-being of society and the quality of the environment.
- Learning occurs everywhere and is a lifelong pursuit of knowledge, truth and wisdom.
- High quality public education directly benefits the entire community and is essential for a democratic society.
- The responsibility for learning rests primarily with the individual; however, education is the shared responsibility of the student, home, family, school and entire community.
- Individuals learn best when actively engaged in the learning process.
- Excellence demands sustained effort.
- All individuals can be successful learners.
- High expectations yield high results.
- Society benefits when individual rights are balanced with social responsibility.
- Ethical conduct is essential to the quality of life.

STRATEGIC PLAN

The District launched an ambitious, year-long comprehensive planning process in the fall of 2013 to provide a new direction for public education in our community. In recent years, strategic planning in the District had been driven largely by the Pennsylvania Department of Education's strategic planning requirements, and plans were developed to address specific issues and perceived weaknesses. The 2014 District planning process was designed to be more expansive in scope and significantly more inclusive of our diverse, dynamic community. Thousands of stakeholders contributed to this process, sharing their thoughts, ideas and dreams for our schools through community surveys, community forums, focus groups, public meetings and a steering committee of 70 community volunteers.

**Lower Merion School District
Management's Discussion and Analysis – Unaudited
June 30, 2024**

The result of these collective efforts is our Strategic Plan, All Forward: Strategic Pathways for Lower Merion School District. All Forward differs greatly from previous District strategic plans, both in content and structure. Rather than a tactical guide with step-by-step instructions, the plan serves as a strategic compass for the next five years and beyond. The District designed it to be actionable, inspirational and accessible to all members of our school community. Five "bold statements of strategic intent" provide the framework of our plan. These statements, crafted by our steering committee, represent where we want to be as a school community and indicate a shift from where we are today in how we define student success, develop curriculum, support professional learning, engage students and partner with our community. It is important to note that the intent of the plan is not to solve a problem or fix a failure. Rather, it serves as a necessary next step forward in our evolution as one of the finest public-school systems in the United States.

Collaboration, innovation, and celebration are consistent themes throughout the plan and characterize the community's work in developing this document. Our plan embraces a collective, intentional, positive approach to change. It is driven by our belief in continuous improvement and an unyielding passion for high-quality public education. It represents our commitment to the children of Lower Merion and Narberth now and forever.

STRATEGIC PATHWAYS

- Pathway 1: Redefining Success - Transform how we define, measure and report student achievement with a focus on each student's individualized growth and mastery in areas that extend beyond traditional academic indicators.
- Pathway 2: Transformative Curriculum - Shift from content areas silos to a connected curriculum that prepares students to transfer knowledge and apply thinking strategies across disciplines.
- Pathway 3: A Commitment to Professional Learning - Transform professional learning from a top-down model to one that honors and harnesses our educators' collective wisdom.
- Pathway 4: Student-Driven Schools - Adjust our system from one characterized by heavily prescribed requirements to one that affords more self-directed goal setting and positive risk taking - where students navigate their own learning in close partnership with professionals.
- Pathway 5: A Spirit of Community - Transform our approach to community outreach from one that is less coordinated to one that strategically leverages and maximizes community resources to strengthen our schools.

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Manager, Lower Merion School District, 301 East Montgomery Avenue, Ardmore, Pennsylvania 19003.

Lower Merion School District
Statement of Net Position (Deficit)
June 30, 2024 With Summarized Comparative Totals for 2023

	Governmental	Business-type	Totals	
	Activities	Activities	2024	2023
Assets And Deferred Outflows of Resources				
Current assets				
Cash	\$ 63,707,608	\$ 3,414,576	\$ 67,122,184	\$ 68,523,428
Investments	7,000,000	-	7,000,000	13,068,307
Due from other governments	13,635,584	221,735	13,857,319	15,254,172
Other receivables	503,890	22,967	526,857	865,088
Taxes receivable	2,977,153	-	2,977,153	2,913,889
Internal balances	388,982	(388,982)	-	-
Inventories	-	137,629	137,629	146,274
Prepaid expenses	893,127	-	893,127	633,976
Total current assets	<u>89,106,344</u>	<u>3,407,925</u>	<u>92,514,269</u>	<u>101,405,134</u>
Noncurrent assets				
Capital assets, net	<u>495,243,634</u>	<u>67,797</u>	<u>495,311,431</u>	<u>498,819,476</u>
Total assets	<u>584,349,978</u>	<u>3,475,722</u>	<u>587,825,700</u>	<u>600,224,610</u>
Deferred outflows of resources				
Deferred amounts on debt refunding	2,135,896	-	2,135,896	2,606,369
Deferred charges on proportionate share of pension - PSERS	72,385,048	600,021	72,985,069	67,503,876
Deferred charges on proportionate share of OPEB - PSERS	3,111,474	26,756	3,138,230	3,760,792
Deferred charges OPEB - single employer	<u>1,431,280</u>	<u>-</u>	<u>1,431,280</u>	<u>1,512,912</u>
Total deferred outflows of resources	<u>79,063,698</u>	<u>626,777</u>	<u>79,690,475</u>	<u>75,383,949</u>
Liabilities, Deferred Inflows of Resources and Net Position (Deficit)				
Current liabilities				
Accounts payable	6,074,203	81,434	6,155,637	5,807,587
Accrued salaries, payroll withholdings and benefits	36,406,448	-	36,406,448	36,517,367
Accrued interest payable	1,195,778	-	1,195,778	1,380,655
Unearned revenue	<u>379,908</u>	<u>334,063</u>	<u>713,971</u>	<u>570,150</u>
Total current liabilities	<u>44,056,337</u>	<u>415,497</u>	<u>44,471,834</u>	<u>44,275,759</u>
Noncurrent liabilities				
Due within one year	26,409,410	-	26,409,410	27,536,450
Due in more than one year	<u>611,145,359</u>	<u>3,565,759</u>	<u>614,711,118</u>	<u>634,865,557</u>
Total noncurrent liabilities	<u>637,554,769</u>	<u>3,565,759</u>	<u>641,120,528</u>	<u>662,402,007</u>
Total liabilities	<u>681,611,106</u>	<u>3,981,256</u>	<u>685,592,362</u>	<u>706,677,766</u>
Deferred inflows of resources				
Deferred credits on proportionate share of pension - PSERS	6,826,414	56,586	6,883,000	12,328,000
Deferred credits on proportionate share of OPEB - PSERS	3,445,440	28,560	3,474,000	4,277,000
Deferred credits OPEB - single employer	<u>3,357,360</u>	<u>-</u>	<u>3,357,360</u>	<u>4,055,246</u>
Total deferred inflows of resources	<u>13,629,214</u>	<u>85,146</u>	<u>13,714,360</u>	<u>20,660,246</u>
Net position (deficit)				
Net investment in capital assets	307,092,467	67,797	307,160,264	288,776,820
Restricted	20,482,470	-	20,482,470	27,840,995
Unrestricted (deficit)	<u>(359,401,581)</u>	<u>(31,700)</u>	<u>(359,433,281)</u>	<u>(368,347,268)</u>
Total net position (deficit)	<u>\$ (31,826,644)</u>	<u>\$ 36,097</u>	<u>\$ (31,790,547)</u>	<u>\$ (51,729,453)</u>

The Notes to Financial Statements are an integral part of this statement.

**Lower Merion School District
Statement of Activities
Year Ended June 30, 2024 With Summarized Comparative Totals for 2023**

	Program Revenues				Net (Expense) Revenue and			
	Expenses	Charges	Operating	Capital	Governmental	Business-type	Totals	
		for	Grants and	Grants and			2024	2023
	Services	Contributions	Contributions	Activities	Activities			
Governmental activities								
Instruction	\$ 177,258,492	\$ 132,479	\$ 30,160,639	\$ -	\$ (146,965,374)	\$ -	\$ (146,965,374)	\$ (141,103,387)
Instructional student support services	23,506,244	-	3,989,842	-	(19,516,402)	-	(19,516,402)	(17,670,211)
Administrative and financial support services	28,366,284	-	2,856,051	-	(25,510,233)	-	(25,510,233)	(23,634,878)
Operation and maintenance of plant services	23,581,347	313,754	1,809,540	-	(21,458,053)	-	(21,458,053)	(19,428,394)
Pupil transportation	19,654,824	-	3,412,075	-	(16,242,749)	-	(16,242,749)	(14,123,899)
Student activities	6,728,112	34,414	828,429	-	(5,865,269)	-	(5,865,269)	(5,964,709)
Community services	271,832	66,455	-	-	(205,377)	-	(205,377)	(173,972)
Interest and amortization expense related to noncurrent liabilities	4,911,100	-	373,561	-	(4,537,539)	-	(4,537,539)	(5,487,890)
Unallocated depreciation expense	14,421,297	-	-	-	(14,421,297)	-	(14,421,297)	(14,777,410)
Total governmental activities	<u>298,699,532</u>	<u>547,102</u>	<u>43,430,137</u>	<u>-</u>	<u>(254,722,293)</u>	<u>-</u>	<u>(254,722,293)</u>	<u>(242,364,750)</u>
Business-type activities								
Food service	4,771,658	2,989,564	2,114,409	-	-	332,315	332,315	481,973
Total primary government	<u>\$ 303,471,190</u>	<u>\$ 3,536,666</u>	<u>\$ 45,544,546</u>	<u>\$ -</u>	<u>(254,722,293)</u>	<u>332,315</u>	<u>(254,389,978)</u>	<u>(241,882,777)</u>
General revenues								
Property taxes levied for general purposes					249,977,821	-	249,977,821	245,232,789
Other taxes levied for general purposes					5,754,791	-	5,754,791	5,012,066
Grants and entitlements not restricted to specific programs					10,094,127	-	10,094,127	14,810,400
Gain (loss) on sale of capital assets					(196,959)	10,500	(186,459)	(109,534)
Investment earnings					8,194,008	167,281	8,361,289	5,783,314
Miscellaneous income					327,315	-	327,315	986,494
Total general revenues					<u>274,151,103</u>	<u>177,781</u>	<u>274,328,884</u>	<u>271,715,529</u>
Change In net position (deficit)					19,428,810	510,096	19,938,906	29,832,752
Net position (deficit)								
Beginning of year					(51,255,454)	(473,999)	(51,729,453)	(81,562,205)
End of year					<u>\$ (31,826,644)</u>	<u>\$ 36,097</u>	<u>\$ (31,790,547)</u>	<u>\$ (51,729,453)</u>

The Notes to Financial Statements are an integral part of this statement.

**Lower Merion School District
Balance Sheet - Governmental Funds
June 30, 2024 With Summarized Comparative Totals for 2023**

	Major Funds				Totals	
	General Fund	Capital Projects Fund	Capital Reserve Fund	Debt Service Fund	2024	2023
Assets						
Cash	\$ 46,088,813	\$ 5,132,625	\$ 7,715,197	\$ 4,770,973	\$ 63,707,608	\$ 66,213,474
Investments	7,000,000	-	-	-	7,000,000	13,068,307
Taxes receivable	2,977,153	-	-	-	2,977,153	2,913,889
Due from other funds	721,758	-	-	-	721,758	122,847
Due from other governments	13,635,584	-	-	-	13,635,584	15,025,669
Other receivables	503,890	-	-	-	503,890	833,457
Prepaid items	893,127	-	-	-	893,127	633,976
Total assets	<u>\$ 71,820,325</u>	<u>\$ 5,132,625</u>	<u>\$ 7,715,197</u>	<u>\$ 4,770,973</u>	<u>\$ 89,439,120</u>	<u>\$ 98,811,619</u>
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities						
Accounts payable	\$ 5,459,751	\$ 610,752	\$ 3,700	\$ -	\$ 6,074,203	\$ 5,754,755
Due to other funds	332,776	-	-	-	332,776	303,497
Accrued salaries, payroll withholdings and benefits	36,406,448	-	-	-	36,406,448	36,517,367
Unearned revenues	379,908	-	-	-	379,908	251,924
Total liabilities	<u>42,578,883</u>	<u>610,752</u>	<u>3,700</u>	<u>-</u>	<u>43,193,335</u>	<u>42,827,543</u>
Deferred inflows of resources						
Unavailable revenues - property taxes	2,211,556	-	-	-	2,211,556	2,300,022
Fund balances						
Nonspendable						
Prepaid items	893,127	-	-	-	893,127	633,976
Restricted for						
Capital projects	-	4,521,873	7,711,497	-	12,233,370	21,098,326
Debt service	-	-	-	4,770,973	4,770,973	4,528,540
Legal settlement	8,000,000	-	-	-	8,000,000	12,000,000
Committed to						
Future PSERS obligations	3,300,000	-	-	-	3,300,000	3,300,000
Future postemployment healthcare benefits	10,000,000	-	-	-	10,000,000	10,000,000
Unassigned	4,836,759	-	-	-	4,836,759	2,123,212
Total fund balances	<u>27,029,886</u>	<u>4,521,873</u>	<u>7,711,497</u>	<u>4,770,973</u>	<u>44,034,229</u>	<u>53,684,054</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 71,820,325</u>	<u>\$ 5,132,625</u>	<u>\$ 7,715,197</u>	<u>\$ 4,770,973</u>	<u>\$ 89,439,120</u>	<u>\$ 98,811,619</u>

The Notes to Financial Statements are an integral part of this statement.

**Lower Merion School District
Reconciliation of Governmental Funds Balance Sheet to Net Position (Deficit)
Of governmental Activities on the Statement of Net Position (Deficit)
June 30, 2024**

Total Governmental Fund Balances	\$ 44,034,229
Amounts reported for governmental activities in the statement of net position (deficit) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.	495,243,634
Deferred outflows of resources for deferred amounts on debt refunding are currently expended in the governmental funds, whereas they are capitalized and amortized over the life of the respective debt in the government-wide statement of net position (deficit).	2,135,896
Deferred outflows of resources and deferred inflows of resources related to pensions and other post-employment benefits are not reported as assets and liabilities in the governmental funds balance sheet.	63,298,588
Some of the District's property and per capita taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred inflows of resources on the governmental funds balance sheet.	2,211,556
Noncurrent liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds balance sheet.	(637,554,769)
Accrued interest payable on long-term liabilities is included in the statement of net position (deficit), but is excluded from the governmental funds balance sheet until due and payable.	<u>(1,195,778)</u>
Net Position (Deficit) Of Governmental Activities	\$ <u>(31,826,644)</u>

The Notes to Financial Statements are an integral part of this statement.

**Lower Merion School District
Statement of Revenues, Expenditures and Changes in Fund Balances –
Governmental Funds
Year Ended June 30, 2024 With Summarized Comparative Totals for 2023**

	Major Funds				Totals	
	General	Capital	Capital	Debt	2024	2023
	Fund	Projects	Reserve	Service		
	Fund	Fund	Fund	Fund		
Revenues						
Local sources						
Real estate taxes	\$ 250,163,337	\$ -	\$ -	\$ -	\$ 250,163,337	\$ 245,061,201
Realty transfer taxes	5,275,143	-	-	-	5,275,143	4,527,594
Earned income taxes	255,538	-	-	-	255,538	250,157
Earnings from investments	7,281,000	349,208	321,396	242,433	8,194,037	5,686,092
Other local revenues	4,508,413	-	-	-	4,508,413	3,299,620
State sources	47,688,936	-	-	-	47,688,936	45,944,855
Federal sources	2,111,342	-	-	-	2,111,342	3,173,592
Total revenues	<u>317,283,709</u>	<u>349,208</u>	<u>321,396</u>	<u>242,433</u>	<u>318,196,746</u>	<u>307,943,111</u>
Expenditures						
Current						
Instruction	180,911,696	-	-	-	180,911,696	173,762,709
Support services	95,105,193	-	6,822,354	-	101,927,547	92,874,381
Operation of noninstructional services	7,146,488	491,041	-	-	7,637,529	14,581,616
Facilities acquisition, construction and improvement services	-	5,436,233	-	-	5,436,233	8,802,292
Debt service	32,150,584	-	-	-	32,150,584	31,183,187
Total expenditures	<u>315,313,961</u>	<u>5,927,274</u>	<u>6,822,354</u>	<u>-</u>	<u>328,063,589</u>	<u>321,204,185</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,969,748</u>	<u>(5,578,066)</u>	<u>(6,500,958)</u>	<u>242,433</u>	<u>(9,866,843)</u>	<u>(13,261,074)</u>
Other financing sources (uses)						
Proceeds from lease and subscription right-to-use arrangements	-	-	-	-	-	40,185
Transfers in	-	-	2,900,000	-	2,900,000	3,500,000
Transfers out	(2,900,000)	-	-	-	(2,900,000)	(3,500,000)
Insurance recoveries	-	314,068	-	-	314,068	-
Refund of prior year's revenues	(97,050)	-	-	-	(97,050)	(117,109)
Total other financing sources (uses)	<u>(2,997,050)</u>	<u>314,068</u>	<u>2,900,000</u>	<u>-</u>	<u>217,018</u>	<u>(76,924)</u>
Net change in fund balances	(1,027,302)	(5,263,998)	(3,600,958)	242,433	(9,649,825)	(13,337,998)
Fund balances						
Beginning of year	<u>28,057,188</u>	<u>9,785,871</u>	<u>11,312,455</u>	<u>4,528,540</u>	<u>53,684,054</u>	<u>67,022,052</u>
End of year	<u>\$ 27,029,886</u>	<u>\$ 4,521,873</u>	<u>\$ 7,711,497</u>	<u>\$ 4,770,973</u>	<u>\$ 44,034,229</u>	<u>\$ 53,684,054</u>

The Notes to Financial Statements are an integral part of this statement.

**Lower Merion School District
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to Change in Net Position (Deficit) of Governmental Activities
on the Statement of Activities
Year Ended June 30, 2024**

Net Change In Fund Balances - Governmental Funds \$ (9,649,825)

Amounts reported for governmental activities in the statement of activities are different because:

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 and reported as depreciation expense. This is the amount by which depreciation expense and the net book value of disposed of capital assets exceeded capital outlays in the current period.

Capital outlay expenditures	11,123,929	
Net book value of disposed of capital assets	(196,959)	
Depreciation expense	<u>(14,421,297)</u>	(3,494,327)

Because some property and per capita taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred inflows of resources decreased by this amount in the current period.

Deferred inflows of resources June 30, 2023	(2,300,022)	
Deferred inflows of resources June 30, 2024	<u>2,211,556</u>	(88,466)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on the change in net position of governmental activities. Also, governmental funds report the effect of premiums, discounts and similar items when long-term debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Repayment of bonds and note payable	24,275,000	
Repayment of leases payable	145,459	
Repayment of subscriptions payable	258,074	
Amortization of discounts, premiums and deferred amounts	<u>2,376,074</u>	27,054,607

Some expenses reported in the statement of activities do not require the use of current financial resources, and, therefore are not reported as expenditures on governmental funds.

Current year change in accrued interest payable	184,877	
Current year change in compensated absences	(1,588,583)	
Current year change in net pension liability - PSERS and deferred outflows and inflows	6,478,673	
Current year change in OPEB liability - single employer and deferred outflows and inflows	209,620	
Current year change in net OPEB liability - PSERS and deferred outflows and inflows	<u>322,234</u>	<u>5,606,821</u>

Change In Net Position (Deficit) Of Governmental Activities \$ 19,428,810

**Lower Merion School District
Statement Of Net Position (Deficit) - Proprietary Fund
June 30, 2024 With Summarized Comparative Totals for 2023**

	<u>Food Service Fund</u>	
	<u>2024</u>	<u>2023</u>
Assets And Deferred Outflows Of Resources		
Current assets		
Cash	\$ 3,414,576	\$ 2,309,954
Due from other governments	221,735	228,503
Due from other funds	332,776	303,497
Other receivables	22,967	31,631
Prepaid expenses	-	-
Inventories	<u>137,629</u>	<u>146,274</u>
Total current assets	<u>4,129,683</u>	<u>3,019,859</u>
Noncurrent assets		
Capital assets, net	<u>67,797</u>	<u>81,515</u>
Total assets	<u>4,197,480</u>	<u>3,101,374</u>
Deferred outflows of resources		
Deferred charges on proportionate share of pension - PSERS	600,021	554,959
Deferred charges on proportionate share of OPEB - PSERS	<u>26,756</u>	<u>30,916</u>
Total deferred outflows of resources	<u>626,777</u>	<u>585,875</u>
Liabilities, Deferred Inflows Of Resources And Net Position (Deficit)		
Liabilities		
Accounts payable	81,434	52,832
Due to other funds	721,758	122,847
Unearned revenue	<u>334,063</u>	<u>318,226</u>
Total current liabilities	<u>1,137,255</u>	<u>493,905</u>
Noncurrent liabilities		
Net proportionate share of pension liability - PSERS	3,426,881	3,390,758
Net proportionate share of OPEB liability - PSERS	<u>138,878</u>	<u>140,073</u>
Total noncurrent liabilities	<u>3,565,759</u>	<u>3,530,831</u>
Total liabilities	<u>4,703,014</u>	<u>4,024,736</u>
Deferred inflows of resources		
Deferred credits on proportionate share of pension - PSERS	56,586	101,350
Deferred credits on proportionate share of OPEB - PSERS	<u>28,560</u>	<u>35,162</u>
Total deferred inflows of resources	<u>85,146</u>	<u>136,512</u>
Net position (deficit)		
Net investment in capital assets	67,797	81,515
Unrestricted (deficit)	<u>(31,700)</u>	<u>(555,514)</u>
Total net position (deficit)	<u>\$ 36,097</u>	<u>\$ (473,999)</u>

The Notes to Financial Statements are an integral part of this statement.

Lower Merion School District
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund
Year Ended June 30, 2024 With Summarized Comparative Totals for 2023

	<u>Food Service Fund</u>	
	<u>2024</u>	<u>2023</u>
Operating revenues		
Charges for services	\$ 2,989,564	\$ 2,666,210
Operating expenses		
Salaries	1,416,177	1,328,206
Employee benefits	915,238	766,307
Purchased professional and technical services	2,016	4,419
Purchased property services	35,203	21,554
Supplies	2,382,315	1,918,336
Depreciation	18,222	17,588
Other operating expenses	2,487	1,587
Total operating expenses	<u>4,771,658</u>	<u>4,057,997</u>
Operating loss	<u>(1,782,094)</u>	<u>(1,391,787)</u>
Nonoperating revenues		
Earnings on investments	167,281	97,222
Gain on sale of capital assets	10,500	-
State sources	665,503	527,327
Federal sources	1,448,906	1,346,433
Total nonoperating revenues	<u>2,292,190</u>	<u>1,970,982</u>
Change in net position (deficit)	510,096	579,195
Net position (deficit)		
Beginning of year	<u>(473,999)</u>	<u>(1,053,194)</u>
End of year	<u>\$ 36,097</u>	<u>\$ (473,999)</u>

The Notes to Financial Statements are an integral part of this statement.

Lower Merion School District
Statement of Cash Flows - Proprietary Fund
Year Ended June 30, 2024 With Summarized Comparative Totals for 2023

	<u>Food Service Fund</u>	
	<u>2024</u>	<u>2023</u>
Operating activities		
Cash received from charges for services	\$ 3,014,065	\$ 2,662,696
Cash payments to employees for services	(2,388,755)	(2,218,458)
Cash payments to supplies for goods and services	<u>(1,531,569)</u>	<u>(1,782,109)</u>
Net cash used in operating activities	<u>(906,259)</u>	<u>(1,337,871)</u>
Noncapital financing activities		
State sources	652,484	489,946
Federal sources	<u>1,185,120</u>	<u>1,603,995</u>
Net cash provided by noncapital financing activities	<u>1,837,604</u>	<u>2,093,941</u>
Capital and related financing activities		
Acquisition of capital assets	(4,504)	(11,784)
Proceeds from sale of capital assets	<u>10,500</u>	<u>-</u>
Net cash provided by (used in) capital and related financing activities	<u>5,996</u>	<u>(11,784)</u>
Investing activities		
Earnings on investments	<u>167,281</u>	<u>97,222</u>
Net cash provided by investing activities	<u>167,281</u>	<u>97,222</u>
Net change in cash	1,104,622	841,508
Cash		
Beginning of year	<u>2,309,954</u>	<u>1,468,446</u>
End of year	<u>\$ 3,414,576</u>	<u>2,309,954</u>

The Notes to Financial Statements are an integral part of this statement.

Lower Merion School District
Statement of Cash Flows - Proprietary Fund
Year Ended June 30, 2024 With Summarized Comparative Totals for 2023

**Reconciliation of operating loss to net cash provided by
(used for) operating activities:**

Operating loss	\$ (1,782,094)	\$ (1,391,787)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities		
Depreciation	18,222	17,588
Donated commodities used	283,573	163,719
(Increase) decrease in		
Due from other funds	(29,279)	(45,605)
Other receivables	8,664	(11,110)
Prepaid expenses	-	-
Inventories	8,645	22,337
Deferred outflows of resources	(40,902)	84,404
Increase (decrease) in		
Accounts payable	28,602	2,209
Due to other funds	598,911	21,127
Unearned revenue	15,837	7,596
Net OPEB liability	36,123	(41,331)
Net pension liability	(1,195)	242,247
Deferred inflows of resources	<u>(51,366)</u>	<u>(409,265)</u>
Net cash used in operating activities	<u>\$ (906,259)</u>	<u>\$ (1,337,871)</u>

Supplemental disclosure

Noncash noncapital financing activity		
USDA donated commodities	<u>\$ 283,573</u>	<u>\$ 163,719</u>

The Notes to Financial Statements are an integral part of this statement.

Lower Merion School District
Statement of Net Position - Fiduciary Funds
Year Ended June 30, 2024 With Summarized Comparative Totals for 2023

	Private-Purpose Trusts		Custodial	Totals	
	Scholarship Funds	Employee Trust	Student Activities	2024	2023
Assets					
Cash	\$ 134,609	\$ 272,000	\$ 800,978	\$ 1,207,587	\$ 1,128,905
Other receivables	-	-	1,481	1,481	4,775
Total assets	<u>134,609</u>	<u>272,000</u>	<u>802,459</u>	<u>1,209,068</u>	<u>1,133,680</u>
Liabilities					
Other liabilities	-	-	97,719	97,719	120,749
Total liabilities	<u>-</u>	<u>-</u>	<u>97,719</u>	<u>97,719</u>	<u>120,749</u>
Net Position					
Restricted for scholarships	134,609	-	-	134,609	132,062
Restricted for employee benefits	-	272,000	-	272,000	292,694
Restricted for student activities	-	-	704,740	704,740	588,175
Total net position	<u>\$ 134,609</u>	<u>\$ 272,000</u>	<u>\$ 704,740</u>	<u>\$ 1,111,349</u>	<u>\$ 1,012,931</u>

The Notes to Financial Statements are an integral part of this statement.

Lower Merion School District
Statement of Changes in Net Position – Fiduciary Funds
Year Ended June 30, 2024 With Summarized Comparative Totals for 2023

	<u>Private-Purpose Trusts</u>		<u>Custodial</u>	<u>Totals</u>	
	<u>Scholarship Funds</u>	<u>Employee Trust</u>	<u>Student Activities</u>	<u>2024</u>	<u>2023</u>
Additions					
Receipts from student groups	\$ -	\$ -	\$ 1,065,835	\$ 1,065,835	\$ 1,029,395
Earnings from investments	7,547	14,278	32,774	54,599	34,353
	<u>7,547</u>	<u>14,278</u>	<u>1,098,609</u>	<u>1,120,434</u>	<u>1,063,748</u>
Deductions					
Student activity disbursements	-	-	982,044	982,044	921,173
Scholarships awarded	5,000	-	-	5,000	1,000
Employee trust disbursements	-	34,972	-	34,972	60,582
	<u>5,000</u>	<u>34,972</u>	<u>982,044</u>	<u>1,022,016</u>	<u>982,755</u>
Change in net position	<u>2,547</u>	<u>(20,694)</u>	<u>116,565</u>	<u>98,418</u>	<u>80,993</u>
Net position					
Beginning of year	<u>132,062</u>	<u>292,694</u>	<u>588,175</u>	<u>1,012,931</u>	<u>931,938</u>
End of year	<u>\$ 134,609</u>	<u>\$ 272,000</u>	<u>\$ 704,740</u>	<u>\$ 1,111,349</u>	<u>\$ 1,012,931</u>

The Notes to Financial Statements are an integral part of this statement.

Lower Merion School District
Notes to Financial Statements
June 30, 2024

1. ORGANIZATION AND PURPOSE

The Lower Merion School District (the "District") operates six elementary schools, three middle schools, and two high schools. The District covers 24 square miles, directly borders the City of Philadelphia, and is comprised of Lower Merion Township and the Borough of Narberth. The District operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provisions of the School Laws of Pennsylvania as a school district of the second class. The District operates under a locally elected nine-member board form of government (the "School Board").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in accordance with generally accepted accounting principles ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting policies are as follows:

Reporting Entity

GASB has established the criteria for determining the activities, organizations and functions of government to be included in the financial statements of the reporting entity. In evaluating the District as a reporting entity, management has addressed all potential component units which may or may not fall within the District's accountability. The criteria used to evaluate component units for possible inclusion as part of the District's reporting entity are financial accountability and the nature and significance of the relationship. The District is considered to be an independent reporting entity and has no component units.

Basis of Presentation

Government-Wide Financial Statements

The statement of net position (deficit) and the statement of activities display information about the District as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities. These statements include the financial activities of the primary government except for fiduciary funds.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flow. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared as further defined below. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

The government-wide statement of net position (deficit) presents the financial position of the District which is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources and is classified in one of three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowing attributable to acquiring, constructing or improving those assets. The net position of the District is reported as restricted when constraints placed on net position use is either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Unrestricted net position is the net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

**Lower Merion School District
Notes to Financial Statements
June 30, 2024**

The statement of net position (deficit) includes separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until that time. Deferred inflows of resources represent an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

The government-wide statement of activities presents a comparison between expenses and program revenues for each function of the business-type activities of the District and for each governmental function. Expenses are those that are specifically associated with a service or program and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each function is self-financing or draws from the general revenues of the District.

Except for interfund activity and balances between the funds that underlie governmental activities and the funds that underlie business-type activities, which are reported as transfers and internal balances, the effect of interfund activity has been removed from these statements.

Fund Financial Statements

During the school year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Fiduciary fund financial statements are presented by fund type.

Governmental Funds

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

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Capital Projects Fund accounts for financial resources restricted, committed or assigned to be used for capital expenditures or for the acquisition, construction of capital facilities, improvements and/or equipment and is funded largely by the issuance of debt.

The Capital Reserve Fund accounts for financial resources restricted, committed or assigned to be used for capital expenditures or for the acquisition, construction of capital facilities, improvements and/or equipment and is funded largely by transfers from the General Fund.

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term principal, interest and other related costs.

Lower Merion School District
Notes to Financial Statements
June 30, 2024

Revenue Recognition

In applying the "susceptible to accrual concept" under the modified accrual basis, 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 District considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Deferred inflows of resources are reported in connection with receivables for tax revenues that are not considered to be available to liquidate liabilities of the current period. Revenue from federal, state and other grants designated for payment of specific District expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as unearned revenues until earned. Other receipts are recorded as revenue when received in cash because they are generally not measurable until actually received.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, other post-employment benefits and claims and judgments are recorded only when payment is due. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Proprietary Funds

Like the government-wide financial statements, proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when they are earned and expenses are recognized when they are incurred. Allocations of certain costs, such as depreciation, are recorded in proprietary funds. The District reports the following proprietary fund:

The Food Service Fund accounts for the revenues and costs of providing meals to students during the school year.

These 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 the proprietary funds' principal ongoing operations. The principal operating revenues of the District's proprietary funds are charges for services. Operating expenses for the District's proprietary funds include payroll, employee benefits, supplies and administrative costs. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary Funds

Fiduciary funds reporting focuses on net assets and changes in net assets and are accounted for using the economic resources measurement focus and the accrual basis of accounting. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and custodial funds. Fiduciary funds are used to account for assets held on behalf of individuals and/or governmental units and are, therefore, not available to support the District's own programs. The District reports the following fiduciary funds.

The Student Activity Fund consists of funds held on behalf of students and is reported as a custodial fund.

The Employee Trust Fund consists of funds held on behalf of employees from a legacy health savings accounts which no longer allow contributions. Disbursements from this fund consist of employees drawing down their funds by requesting payment for medical bills and is reported as a private-purpose trust fund.

**Lower Merion School District
Notes to Financial Statements
June 30, 2024**

The Scholarship Fund consists of funds donated for distribution to students as scholarships and is considered a private-purpose trust fund.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of twelve months or less from the date of acquisition.

Investments

Investments are stated at fair value based upon quoted market prices, except for certificates of deposit which are recorded at cost and external investment pools which are recorded at amortized cost, both of which approximate fair value.

Fair Value Measurements of Assets and Liabilities

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the District. Unobservable inputs reflect the District's assumptions about the inputs market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the District has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not require a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable, that is, inputs that reflect the District's own assumptions.

Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/due from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Property Taxes

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

July 1 – August 31	Discount period, 2% of gross levy
September 1 – October 31	Face period
October 31 – collection	Penalty period, 10% of gross levy
January 1	Lien date

**Lower Merion School District
Notes to Financial Statements
June 30, 2024**

The County Board of Assessments determines assessed valuations of property, and the District's taxes are billed and collected by elected tax collectors. The tax on real estate for public school purposes for fiscal 2023-2024 was 32.3948 mills (\$32.3948 for \$1,000 of assessed valuation). The District experiences very small losses from uncollectible property taxes. Property taxes constitute a lien against real property and usually can be collected in full when title transfers. Only balances that remain after tax sales are written off each year. Accordingly, an allowance for doubtful accounts has not been established by the District for property taxes receivable.

Taxpayers within the District have the option of paying in three installments. These installments have the following due dates:

Installment One	August 31
Installment Two	October 31
Installment Three	December 31

The discount (two percent) is not applicable to installment payments; however, the penalty (10 percent) will be added if second and third installments are paid subsequent to the due dates.

Unearned Revenues

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Prepaid Items and Inventories

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

All inventories are valued at the lower of cost (first-in, first-out method) or market.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary fund financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed, inclusive of ancillary costs.

Property, plant and equipment (net of salvage value) of the District is depreciated using the straight-line method over the following estimated useful lives: site improvements – 20-40 years; buildings and improvements – 15-40 years; furniture and equipment – 5-10 years and vehicles – 8-10 years.

Leases – Lessee

The District has entered in noncancellable leases as the lessee. The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements.

Lower Merion School District
Notes to Financial Statements
June 30, 2024

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

The District uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability is composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Impairment of Long-Lived Assets

The District evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances is outside the normal life cycle of the capital asset. If a capital asset is considered to be impaired, the amount of impairment is measured by the method that most reflects the decline in service utility of the capital asset at the lower of carrying value or fair value for impaired capital assets that will no longer be used by the District. No impairment losses were recognized in the year ended June 30, 2024.

Compensated Absences

District policies permit employees to accumulate earned but unused vacation and sick days. The liability for these compensated absences is recorded as a noncurrent liability in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only to the extent they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bonds payable are reported net of the applicable bond premium or discount. Bond premiums and discounts are deferred and amortized over the life of the bonds. Deferred amounts on refunding are recorded as a deferred outflow of resources and amortized over the life of the old debt or the life of the new debt, whichever is shorter. All amounts are amortized using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources and uses. Premiums received and discounts paid on debt issuances are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures except for refundings paid from proceeds which are reported as other financing costs.

Fund Equity

As prescribed by GASB, governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the fund can be spent. The District reports the following fund balance classifications:

Lower Merion School District
Notes to Financial Statements
June 30, 2024

Non-spendable

Non-spendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form – such as inventory or prepaid insurance or (b) legally or contractually required to be maintained intact – such as a trust that must be retained in perpetuity.

Restricted

Restricted fund balances are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed

Committed fund balances are amounts that can only be used for specific purposes determined by a formal action of the District's highest level of decision-making authority, the School Board. Committed amounts cannot be used for any other purpose unless the School Board removes those constraints by taking the same type of formal action (e.g., resolution).

Assigned

Assigned fund balances are amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the Business Manager or (b) an appointed body or (c) an official to which the District has delegated the authority to assign, modify or rescind amounts to be used for specific purposes.

Assigned fund balance includes (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as non-spendable, restricted or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue fund or the capital projects fund are assigned for purposes in accordance with the nature of their fund type.

Unassigned

Unassigned fund balance is the residual classification for the General Fund. This classification represents General Fund balance that has not been assigned to other funds, and that has not been restricted, committed or assigned to specific purposes within the General Fund.

When both restricted and unrestricted resources are available for use, it is the District's policy to use externally restricted resources first, then unrestricted resources—committed, assigned or unassigned—in order as needed.

The School Board has set a policy to maintain an unassigned General Fund fund balance of not less than 5% and a maximum unassigned General Fund fund balance of 8% of the following year's expenditure budget. Unassigned General Fund fund balance in excess of 8% of the following year's expenditure budget may be appropriated by the School Board for nonrecurring expenditures.

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation. However, presentation of prior year totals by fund and activity type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the District's financial statements for the year ended June 30, 2023, from which the summarized information was derived.

Lower Merion School District
Notes to Financial Statements
June 30, 2024

Use of Estimates

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

Implementation of New Accounting Pronouncements

GASB Statement No. 100, *Accounting Changes and Error Corrections*, was effective for the District for the year ended June 30, 2023. GASB Statement No. 100 enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability. The implementation of GASB Statement No. 100 had no impact on the financial statements of the District for the year ended June 30, 2024.

New Accounting Pronouncements

GASB Statement No. 101, *Compensated Absences*, will be effective for the District for the year ended June 30, 2025. GASB Statement No. 101 will update the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. GASB Statement No. 101 will require that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

GASB Statement No. 102, *Certain Risk Disclosures*, will be effective for the District for the year ended June 30, 2025. The objective of GASB Statement No. 102 is to improve financial reporting by providing users of financial statements with essential information that currently is not often provided. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to substantial impact. As a result, users will have better information with which to understand and anticipate certain risks to a government's financial condition.

GASB Statement No. 103, *Financial Reporting Model Improvements*, will be effective for the District for the year ended June 30, 2026. The objective of GASB Statement No. 103 is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, will be effective for the District for the year ended June 30, 2026. The objective of GASB Statement No. 104 is to improve financial reporting by providing users of financial statements with essential information about certain types of capital assets in order to make informed decisions and assess accountability. Additionally, the disclosure requirements will improve consistency and comparability between governments.

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

An annual budget is adopted prior to the beginning of each year for the General Fund on a modified accrual basis of accounting. The General Fund is the only fund for which a budget is legally required, although project-length financial plans are adopted for the Capital Projects fund.

**Lower Merion School District
Notes to Financial Statements
June 30, 2024**

The District is required to publish notice by advertisement at least once in a newspaper of general circulation in the municipalities in which it is located, and within 20 days of final action, that the proposed budget has been prepared and is available for public inspection at the administrative offices of the District. Notice that public hearings will be held on the proposed operating budget must be included in the advertisement; such hearings are required to be scheduled at least 10 days prior to when final action on adoption is taken by the School Board.

After the legal adoption of the budget, the School Board is required to file a copy of the budget with the Pennsylvania Department of Education by July 31. Additional copies of the budget also are required to be filed with the House Education Committee and the Senate Education Committee by September 15.

Legal budgetary control is maintained at the sub-function/major object level. The School Board may make transfers of funds appropriated in any particular item of expenditure by legislative action in accordance with Pennsylvania School Code. Management may amend the budget at the sub-function/sub-object level without approval from the School Board. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments.

4. DEPOSITS AND INVESTMENTS

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

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At June 30, 2024, the carrying amount of the District's deposits was \$68,329,771 and the bank balance was \$68,720,571. The District is required by state statute to deposit funds in depositories that are either banks, banking institutions or trust companies located in the Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States, Commonwealth of Pennsylvania or any political subdivision. Under Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit. Of the bank balance, \$296,330 was covered by federal depository insurance and \$536,645 was collateralized by the District's depositories in accordance with Act 72. The remaining cash deposits of the District are in the Pennsylvania School District Liquid Asset Fund ("PSDLAF"), Pennsylvania Local Government Investment Trust ("PLGIT") and the Pennsylvania Treasurer's Program for Local Governments ("INVEST"). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PSDLAF, PLGIT and INVEST act like money market mutual funds in that their objective is to maintain a stable net asset value of \$1 per share, are rated by a nationally recognized statistical rating organization and are subject to independent annual audit. As of June 30, 2024, PSDLAF, PLGIT and INVEST were rated as AAA by a nationally recognized statistical rating agency.

Investments

As of June 30, 2024, the District had the following investments:

<u>Investment Type</u>	<u>Investment Maturities (In Years)</u>	
	<u>Fair Value</u>	<u>Less than 1</u>
Collateralized investment pools	<u>\$ 7,000,000</u>	<u>\$ 7,000,000</u>

Lower Merion School District
Notes to Financial Statements
June 30, 2024

PSDLAF and PA INVEST collateralized investment pools are fully collateralized by U.S. government agency and treasury obligations and certificates of deposit. PSDLAF and PA INVEST collateralized investment pools.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of the investments or collateral security that are in the possession of an outside party. The District had no investments subject to custodial credit risk as of June 30, 2024.

Interest Rate Risk

The District's investment policy limits investment maturities in accordance with state statutes as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The District's investment policy limits its investments that are not backed by the "full faith and credit" of the federal and state government to those with the highest credit rating available for such investments issued by a recognized statistical rating organization.

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2024 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 44,856,966	\$ -	\$ -	\$ 44,856,966
Construction in progress	-	165,213	-	165,213
Total capital assets not being depreciated	<u>44,856,966</u>	<u>165,213</u>	<u>-</u>	<u>45,022,179</u>
Capital assets being depreciated				
Site improvements	10,362,586	390,000	-	10,752,586
Buildings and improvements	594,592,646	9,462,086	1,716,463	602,338,269
Furniture and equipment	4,576,701	415,106	17,685	4,974,122
Right-to-use lease assets	478,450	-	-	478,450
Right-to-use subscription assets	665,466	-	-	665,466
Vehicles	18,095,917	691,524	571,496	18,215,945
Total capital assets being depreciated	<u>628,771,766</u>	<u>10,958,716</u>	<u>2,305,644</u>	<u>637,424,838</u>
Less accumulated depreciation for				
Site improvements	(3,717,017)	(399,810)	-	(4,116,827)
Buildings and improvements	(158,850,377)	(11,911,523)	(1,625,766)	(169,136,134)
Furniture and equipment	(3,356,046)	(336,218)	(15,926)	(3,676,338)
Right-to-use lease assets	(267,638)	(142,191)	-	(409,829)
Right-to-use subscription assets	(266,101)	(265,186)	-	(531,287)
Vehicles	(8,433,592)	(1,366,369)	(466,993)	(9,332,968)
Total accumulated depreciation	<u>(174,890,771)</u>	<u>(14,421,297)</u>	<u>(2,108,685)</u>	<u>(187,203,383)</u>
Total capital assets being depreciated, net	<u>453,880,995</u>	<u>(3,462,581)</u>	<u>196,959</u>	<u>450,221,455</u>
Governmental activities, net	<u>\$ 498,737,961</u>	<u>\$ (3,297,368)</u>	<u>\$ 196,959</u>	<u>\$ 495,243,634</u>
Business-type activities				
Machinery and equipment	\$ 239,898	\$ 4,504	\$ -	\$ 244,402
Less accumulated depreciation	(158,383)	(18,222)	-	(176,605)
Business-type activities, net	<u>\$ 81,515</u>	<u>\$ (13,718)</u>	<u>\$ -</u>	<u>\$ 67,797</u>

**Lower Merion School District
Notes to Financial Statements
June 30, 2024**

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

Governmental activities	
Unallocated	14,421,297
Business-type activities	
Food service	<u>18,222</u>
	<u>\$ 14,439,519</u>

As of June 30, 2024, the District had outstanding construction commitments totaling \$4,425,924 related to various repair and renovation projects across the District.

6. INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2024 is as follows:

<u>Receivable To</u>	<u>Amount</u>	<u>Payable From</u>	<u>Amount</u>
General Fund	\$ 721,758	Food Service Fund	\$ 721,758
Food Service Fund	<u>332,776</u>	General Fund	<u>332,776</u>
	<u>\$ 1,054,534</u>		<u>\$ 1,054,534</u>

Interfund balances between funds represent temporary loans recorded at year-end as the result of a final allocation of expenses.

A summary of interfund transfers for the year ended June 30, 2024 is as follows:

<u>Transfers In</u>	<u>Amount</u>	<u>Transfers Out</u>	<u>Amount</u>
Capital Reserve Fund	<u>\$ 2,900,000</u>	General Fund	<u>\$ 2,900,000</u>

Transfers from the General Fund to the Capital Reserve Fund represents transfers to subsidize future capital expenditures.

**Lower Merion School District
Notes to Financial Statements
June 30, 2024**

7. CHANGE IN NONCURRENT LIABILITIES

The following summarizes the changes in noncurrent liabilities for the year ended June 30, 2024:

	<u>Balance July 1, 2023</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2024</u>	<u>Amount Due Within One Year</u>
Governmental activities					
General obligation debt					
Bonds payable	\$ 195,945,000	\$ -	\$ 21,775,000	\$ 174,170,000	\$ 23,405,000
Note payable	2,500,000	-	2,500,000	-	-
Bond premiums (discounts)	<u>23,324,137</u>	<u>-</u>	<u>2,846,547</u>	<u>20,477,590</u>	<u>2,846,547</u>
Total general obligation debt	<u>221,769,137</u>	<u>-</u>	<u>27,121,547</u>	<u>194,647,590</u>	<u>26,251,547</u>
Other noncurrent liabilities					
Compensated absences	800,017	1,588,583	-	2,388,600	-
Lease payable	206,870	-	145,459	61,411	57,928
Subscription liability	358,009	-	258,074	99,935	99,935
Net pension liability - PSERS	409,052,806	4,357,694	-	413,410,500	-
Net OPEB liability - PSERS	16,898,103	-	144,238	16,753,865	-
OPEB liability	<u>9,786,234</u>	<u>406,634</u>	<u>-</u>	<u>10,192,868</u>	<u>-</u>
Total other noncurrent activities	<u>437,102,039</u>	<u>6,352,911</u>	<u>547,771</u>	<u>442,907,179</u>	<u>157,863</u>
Total governmental activities	<u>658,871,176</u>	<u>6,352,911</u>	<u>27,669,318</u>	<u>637,554,769</u>	<u>26,409,410</u>
Business-type activities					
Net OPEB liability - PSERS	140,073	-	1,195	138,878	-
Net pension liability - PSERS	<u>3,390,758</u>	<u>36,123</u>	<u>-</u>	<u>3,426,881</u>	<u>-</u>
Total business-type activities	<u>3,530,831</u>	<u>36,123</u>	<u>1,195</u>	<u>3,565,759</u>	<u>-</u>
Total noncurrent activities	<u>\$ 662,402,007</u>	<u>\$ 6,389,034</u>	<u>\$ 27,670,513</u>	<u>\$ 641,120,528</u>	<u>\$ 26,409,410</u>

Noncurrent liabilities of governmental activities are generally liquidated by the General Fund, while noncurrent liabilities of the business-type activities are generally liquidated by the Food Service Fund.

8. GENERAL OBLIGATION DEBT

General obligation debt is a direct obligation of the District for which full faith and credit are pledged and is payable from unrestricted local sources. The District has not pledged any assets as collateral for general obligation debt. General obligation debt was issued to finance capital expenditures or to finance the retirement (refund) of prior general obligation debt.

General obligation debt outstanding as of June 30, 2024 consisted of the following:

<u>Description</u>	<u>Interest Rate(s)</u>	<u>Original Issue Amount</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
General obligation bonds				
Series A and B of 2009	3.00% - 5.00%	\$ 102,325,000	04/01/2027	\$ 23,245,000
Series A of 2015	3.00% - 3.125%	\$ 9,700,000	09/01/2034	6,275,000
Series B of 2015	2.00% - 5.00%	\$ 31,880,000	09/01/2028	14,340,000
Series of 2016	2.00% - 5.00%	\$ 55,665,000	09/15/2032	25,205,000
Series of 2019	4.00% - 5.00%	\$ 24,470,000	11/15/2031	24,450,000
Series A of 2019	1.50% - 3.00%	\$ 18,950,000	11/15/2025	11,385,000
Series of 2020	4.00% - 5.00%	\$ 50,625,000	11/15/2031	50,610,000
Series of 2021	5.00%	\$ 24,785,000	11/15/2028	<u>18,660,000</u>
Total general obligation bonds				<u>174,170,000</u>
Bond premiums and discounts				<u>20,477,590</u>
Total general obligation debt				<u>\$ 194,647,590</u>

Lower Merion School District
Notes to Financial Statements
June 30, 2024

Variable interest rates are adjusted weekly based upon the Securities Industry and Financial Markets Association.

Annual debt service requirements to maturity on these obligations are as follows:

<u>Year Ending June 30</u>	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Total</u>
2025	\$ 23,405,000	\$ 6,589,535	\$ 29,994,535
2026	24,235,000	5,671,773	29,906,773
2027	25,250,000	4,588,710	29,838,710
2028	17,475,000	3,504,448	20,979,448
2029	18,215,000	2,760,310	20,975,310
2030-2034	64,930,000	4,121,310	69,051,310
2035	<u>660,000</u>	<u>10,313</u>	<u>670,313</u>
	<u>\$ 174,170,000</u>	<u>\$ 27,246,399</u>	<u>\$ 201,416,399</u>

9. LEASES PAYABLE

The District has entered into leases as a lessee for the use of multi-functional devices. Initial lease liabilities were recorded in the amount of \$478,450. As of June 30, 2024, the value of the lease liabilities was \$61,411. The District is required to make monthly fixed payments of \$12,192 and the leases have an imputed interest rate of 0.648%. The equipment's estimated useful life was 48 months as of the contract commencement for each lease. The value of the right to use lease assets as of June 30, 2024 was \$68,621 with accumulated amortization of \$409,829 and is included in noncurrent assets on the state of net position (deficit). There is no purchase option available under the lease.

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 57,928	\$ 381	\$ 58,309
2026	<u>3,482</u>	<u>17</u>	<u>3,499</u>
	<u>\$ 61,410</u>	<u>\$ 398</u>	<u>\$ 61,808</u>

10. SUBSCRIPTIONS PAYABLE

The District has entered into long-term lease agreements for subscription-based information technology arrangements. Initial subscription liabilities were recorded in the amount of \$665,466. As of June 30, 2024, the value of the subscription liabilities is \$99,935. The District is required to make annual fixed payments ranging from \$10,800 to \$49,800 and have interest rates ranging from 1.58%-3.12%. The subscription's estimate useful lives range from two to four years at contract commencement. The value of the right to use subscription assets as of June 30, 2024 was \$134,179, with accumulated amortization of \$531,287, and is included with noncurrent assets on the statement of net position (deficit).

The net present value of minimum non-cancelable lease payments under these lease agreements are as follows:

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	<u>\$ 99,935</u>	<u>\$ 1,802</u>	<u>\$ 101,737</u>

Lower Merion School District
Notes to Financial Statements
June 30, 2024

11. PENSION PLAN

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

Plan Description

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

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service.

Act 5 of 2017 (Act 5) introduced a hybrid benefit with two membership classes and a separate defined contribution plan for individuals who become new members on or after July 1, 2019. Act 5 created two new hybrid membership classes, Membership Class T-G (Class T-G) and Membership Class T-H (Class T-H) and the separate defined contribution membership class, Membership Class DC (Class DC). To qualify for normal retirement, Class T-G and Class T-H members must work until age 67 with a minimum of 3 years of credited service. Class T-G may also qualify for normal retirement by attaining a total combination of age and service that is equal to or greater than 97 with a minimum of 35 years of credited service.

Benefits are generally between 1.00% to 2.50%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2.00% or 2.50%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

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

**Lower Merion School District
Notes to Financial Statements
June 30, 2024**

Contributions

Member Contributions

The contribution rates based on qualified member compensation for virtually all members are presented below:

Member Contribution Rates				
Membership Class	Continuous Employment Since	Defined Benefit (DB) Contribution Rate	DC Contribution Rate	Total Contribution
				5.25%
T-C	Prior to July 22, 1983	5.25%	N/A	6.25%
T-C	On or after July 22, 1983	6.25%	N/A	6.25%
T-D	Prior to July 22, 1983	6.50%	N/A	6.50%
T-D	On or after July 22, 1983	7.50%	N/A	7.50%
T-E	On or after July 1, 2011	7.50% base rate with shared risk provision	N/A	Prior to 7/1/21: 7.50% After 7/1/21: 8.00%
T-G	On or after July 1, 2019	5.50% base rate with shared risk provision	2.75%	Prior to 7/1/21: 8.25% After 7/1/21: 9.00%
T-H	On or after July 1, 2019	4.50% base rate with shared risk provision	3.00%	Prior to 7/1/21: 7.50% After 7/1/21: 8.25%
DC	On or after July 1, 2019	N/A	7.50%	7.50%

Shared Risk Program Summary

Membership Class	Defined Benefit (DB) Base Rate	Shared Risk Increment	Minimum	Maximum
T-E	7.50%	+/-0.50%	5.50%	9.50%
T-F	10.30%	+/-0.50%	8.30%	12.30%
T-G	5.50%	+/-0.75%	2.50%	8.50%
T-H	4.50%	+/-0.75%	1.50%	7.50%

Employer Contributions

The District's contractually required contribution rate for fiscal year ended June 30, 2024 was 33.36% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the plan from the District were \$49,323,069 for the year ended June 30, 2024.

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

At June 30, 2024, the District reported a liability of \$416,837,381 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by rolling forward PSERS' total pension liability as of June 30, 2022 to June 30, 2023. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2024, the District's proportion was 0.9370 percent, which was an increase of .0093 percent from its proportion measured as of June 30, 2023. As of June 30, 2024, the net pension liability of \$413,410,500 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position and the remaining \$3,426,881 of the net pension liability is recorded as a liability in the proprietary fund statement of net position, and in the business-type activities in the government-wide statement of net position (deficit).

**Lower Merion School District
Notes to Financial Statements
June 30, 2024**

For the year ended June 30, 2023, the District recognized pension expense of \$42,968,000. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between projected and actual experience	\$ 94,000	\$ 5,707,000
Changes in assumptions	6,220,000	-
Net difference between projected and actual investment earnings	11,795,000	-
Changes in proportions	5,553,000	1,176,000
Contributions subsequent to the measurement date	<u>49,323,069</u>	<u>-</u>
	<u>\$ 72,985,069</u>	<u>\$ 6,883,000</u>

\$49,323,069 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30

2024	\$ 7,049,000
2025	(7,756,000)
2026	13,551,000
2027	<u>3,935,000</u>
	<u>\$ 16,779,000</u>

Actuarial Assumptions

The total pension liability as of June 30, 2023 was determined by rolling forward PSERS's total pension liability as the June 30, 2022 actuarial valuation to June 30, 2023 using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation date – June 30, 2022
- Actuarial cost method – entry age normal – level % of pay
- Investment return – 7.00%, includes inflation at 2.55%
- Salary growth – Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 retiree tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 improvement scale.
- The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022 and as of June 30, 2023.
- Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation:
 - Salary growth rate - decreased from 5.00% to 4.50%.
 - Real wage growth and merit or seniority increases (components for salary growth) - decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.

**Lower Merion School District
Notes to Financial Statements
June 30, 2024**

- Mortality rates - Previously based on the RP-2014 mortality tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 mortality improvement scale. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 retiree tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 improvement scale.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial valuation experience study that was performed for the five year period ending June 30, 2020.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	30.00%	5.20%
Private equity	12.00%	7.90%
Fixed income	33.00%	3.20%
Commodities	7.50%	2.70%
Infrastructure/MLPs	10.00%	5.40%
Real estate	11.00%	5.70%
Absolute return	4.00%	4.10%
Cash	3.00%	1.20%
Leverage	<u>-10.50%</u>	1.20%
	<u>100.00%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2023.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Lower Merion School District
Notes to Financial Statements
June 30, 2024**

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

The following represents the net pension liability, calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage point higher (8.00%) than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
District's proportionate share of the net pension liability	<u>\$ 540,336,164</u>	<u>\$ 416,837,381</u>	<u>\$ 312,641,360</u>

Pension Plan Fiduciary Net Position

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

12. OTHER POST-EMPLOYMENT BENEFITS

Single-employer defined benefit OPEB plan

The district's other post-employment benefits ("OPEB") include a single-employer defined benefit plan that provides medical and dental insurance to all retirees and their dependents. The school board has the authority to establish and amend benefit provisions. The OPEB plan does not issue any financial report and is not included in the report of any public employee retirement system or any other entity.

OPEB plan membership

membership in the OPEB plan consisted of the following at July 1, 2022:

Active participants	1,560
Retired participants	738
Vested former participants	<u>6</u>
Total	<u>2,304</u>

Funding Policy

The District's contributions are funded on a pay-as-you-go basis. The contribution requirements of retirees are established and may be amended by the School Board.

OPEB Liability

The District's OPEB liability has been measured as of June 30, 2024. The total OPEB liability was determined by an actuarial valuation as of July 1, 2022, and by rolling forward the liabilities from the July 1, 2022 actuarial valuation through the measurement date. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. The OPEB liability is \$10,192,868, all of which is unfunded. As of June 30, 2024, the OPEB liability is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position (deficit).

**Lower Merion School District
Notes to Financial Statements
June 30, 2024**

The District's change in its OPEB liability for the year ended June 30, 2024 was as follows:

Balance as of July 1, 2023	<u>\$ 9,786,234</u>
Changes for the year	
Service cost	513,738
Interest on total OPEB liability	405,066
Differences between expected and actual experience	-
Changes in assumptions	84,035
Benefit payments	<u>(596,205)</u>
Net changes	<u>406,634</u>
Balance as of June 30, 2024	<u>\$ 10,192,868</u>

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

For the year ended June 30, 2024, the District recognized OPEB expense of \$379,363. At June 30, 2024, the District had deferred outflows of resources and deferred inflows of resources related to the OPEB plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 399,380	\$ 753,048
Changes in assumptions	442,917	2,604,312
Contributions subsequent to the measurement date	<u>588,983</u>	<u>-</u>
	<u>\$ 1,431,280</u>	<u>\$ 3,357,360</u>

\$588,983 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30

2024	\$ (539,442)
2025	(539,263)
2026	(353,060)
2027	(306,317)
2028	(301,775)
Thereafter	<u>(475,206)</u>
	<u>\$ (2,515,063)</u>

**Lower Merion School District
Notes to Financial Statements
June 30, 2024**

Sensitivity of the OPEB Liability to Change in Healthcare Cost Trend Rates

The following presents the OPEB liability for June 30, 2024, calculated using current healthcare cost trends as well as what the OPEB liability would be if it health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
OPEB liability	\$ 9,424,663	\$ 10,192,868	\$ 11,064,273

Sensitivity of the OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District calculated using the discount rate of 4.13%, as well as what the OPEB liability would be if it were calculated using the discount rate that is one percentage point lower (3.13%) or 1 percentage point higher (5.13%) than the current rate:

	<u>1% Decrease</u> <u>3.13%</u>	<u>Current Discount Rate</u> <u>4.13%</u>	<u>1% Increase</u> <u>5.13%</u>
OPEB liability	\$ 11,128,808	\$ 10,192,868	\$ 9,366,884

Actuarial Methods and Significant Assumptions

The OPEB liability as of June 30, 2024, was determined by rolling forward the OPEB Liability as of July 1, 2022 to June 30, 2024 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - entry age normal
- Discount rate – 4.13% - Standard and Poors 20-year municipal bond rate. The discount rate changed from 4.06% to 4.13%.
- Salary growth – salary increases are composed of 2.50% costs of living adjustment, 1.50% for real wage growth and for teachers and administrators a merit increase which varies by age from 2.75% to 0.00%.
- Assumed healthcare cost trends – 7.00% in 2023 with 0.50% decrease until 5.50% in 2026. Rates gradually decrease from 5.40% in 2027 to 4.10% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- Mortality – PubT-2010 headcount-weighted mortality table including rates for contingent survivors for teachers and PubG-2010 headcount-weighted mortality table including rates for contingent survivors for all other employees.

Cost Sharing Multiple-Employer Defined Benefit OPEB Plan

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

**Lower Merion School District
Notes to Financial Statements
June 30, 2024**

Plan Description

PSERS provides health insurance premium assistance which, is a governmental cost sharing, multiple-employer OPEB plan for all eligible retirees who qualify and elect to participate. Employer contribution rates for health insurance premium assistance are established to provide reserves in the health insurance account that are sufficient for the payment of health insurance premium assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' health options program. As of June 30, 2023, there were no assumed future benefit increases to participating eligible retirees.

Retirees of PSERS can participate in the health insurance premium assistance program if they satisfy the following criteria:

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

For Class DC members to become eligible for premium assistance, they must satisfy the following criteria:

- Attain Medicare eligibility with 24 ½ or more eligibility points, or
- Have 15 or more eligibility points and terminated after age 67, and
- Have received all or part of their distributions.

Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' health options program. As of June 30, 2023, there were no assumed future benefit increases to participating eligible retirees.

Employer Contributions

The District's contractually required contribution rate for the fiscal year ended June 30, 2024 was 0.64% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$955,230 for the year ended June 30, 2024.

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

At June 30, 2024, the District reported a liability of \$16,892,743 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward PSERS' total OPEB liability as of June 30, 2022 to June 30, 2023. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2024, the District's proportion was 0.9337 percent, which was an increase of 0.0081 from its proportion measured as of June 30, 2023. As of June 30, 2024, the net OPEB liability of \$16,753,865 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position and the remaining \$138,878 of the net OPEB liability is recorded as a liability in the proprietary fund statement of net position, and in the business-type activities in the government-wide statement of net position (deficit).

**Lower Merion School District
Notes to Financial Statements
June 30, 2024**

For the year ended June 30, 2024, the District recognized OPEB expense of \$628,000. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 111,000	\$ 167,000
Changes in assumptions	1,460,000	3,197,000
Net difference between projected and actual investment earnings	38,000	-
Changes in proportions	574,000	110,000
Contributions subsequent to the measurement date	<u>955,230</u>	<u>-</u>
	<u>\$ 3,138,230</u>	<u>\$ 3,474,000</u>

\$955,230 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,

2024	\$ (197,000)
2025	(239,000)
2026	(379,000)
2027	(472,000)
2028	<u>(4,000)</u>
	<u>\$ (1,291,000)</u>

Actuarial Assumptions

The OPEB liability as of June 30, 2023, was determined by rolling forward the PSERS' OPEB liability as of June 30, 2022 to June 30, 2023 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - entry age normal - level % of pay
- Investment return – 4.13% - Standard & Poors 20 year municipal bond rate
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Premium assistance reimbursement is capped at \$1,200 per year.
- Assumed healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 retiree tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 improvement scale.

Participation rate:

- Eligible retirees will elect to participate pre age 65 at 50%
- Eligible retirees will elect to participate post age 65 at 70%

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study that was performed for the five year period June 30, 2020.

**Lower Merion School District
Notes to Financial Statements
June 30, 2024**

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2021 determined the employer contribution rate for fiscal year 2023.
- Cost method - amount necessary to assure solvency of premium assistance through the third fiscal year after the valuation date.
- Asset valuation method: market value.
- Participation rate: The actual data for retirees benefiting under the OPEB plan as of June 30, 2021 was used in lieu of the 63% utilization assumption for eligible retirees.
- Mortality tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 mortality improvement scale.

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

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

<u>OPEB – Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	<u>100.00%</u>	<u>1.20%</u>

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2023.

Discount Rate

The discount rate used to measure the OPEB liability was 4.13%. Under the OPEB plan's funding policy, contributions are structured for short term funding of health insurance premium assistance. The funding policy sets contribution rates necessary to assure solvency of health insurance premium assistance through the third fiscal year after the actuarial valuation date. The health insurance premium assistance account is funded to establish reserves that are sufficient for the payment of health insurance premium assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the OPEB plan is considered a "pay-as-you-go" plan. A discount rate of 4.13% which represents the Standard & Poors 20 year municipal bond rate at June 30, 2023, was applied to all projected benefit payments to measure the total OPEB liability.

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual health insurance premium assistance. As of June 30, 2023, retirees health insurance premium assistance benefits are not subject to future healthcare cost increases. The healthcare insurance premium assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on healthcare cost trends as depicted below.

**Lower Merion School District
Notes to Financial Statements
June 30, 2024**

The following presents the net OPEB liability for June 30, 2023, calculated using current healthcare cost trends as well as what net OPEB liability would be if it health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	<u>\$ 16,891,156</u>	<u>\$ 16,892,743</u>	<u>\$ 16,894,022</u>

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

The following presents the net OPEB liability, calculated using the discount rate of 4.13%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.13%) or 1-percentage-point higher (5.13%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>3.13%</u>	<u>4.13%</u>	<u>5.13%</u>
District's proportionate share of the net OPEB liability	<u>\$ 19,099,226</u>	<u>\$ 16,892,743</u>	<u>\$ 15,045,773</u>

OPEB Plan Fiduciary Net Position

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

13. CONTINGENCIES AND COMMITMENTS

Montgomery County Intermediate Unit

The District and the other Montgomery County school districts are participating members of the Montgomery County Intermediate Unit (the "MCIU"). The MCIU is a regional educational service agency, established by the Commonwealth of Pennsylvania, which is governed by a joint committee consisting of School Board members from each participating district. The School Board of each participating district must approve the annual operating budget of the MCIU but the participating districts have no ongoing fiduciary interest or responsibility to the MCIU. The MCIU is a self-sustaining organization that provides a broad array of services to participating districts which include: curriculum development and instructional improvement; educational planning services; instructional material; continuing professional development; pupil personnel services; management services and state and federal liaison services.

14. CONTINGENCIES AND COMMITMENTS

Government Grants and Awards

The District receives federal, state and local funding under a number of programs. Payments made by these sources under contractual agreements are provisional and subject to redetermination based on filing of reports and audits of those reports. Final settlements due from or to these sources are recorded in the year in which the related services are performed. Any adjustments resulting from subsequent examinations are recognized in the year in which the results of such examinations become known. District officials do not expect any significant adjustments as a result of these examinations.

**Lower Merion School District
Notes to Financial Statements
June 30, 2024**

Litigation

The District is a defendant in various matters of litigation and claims. These matters result from the normal course of business. The following matters have a determinable settlement cost and have been disclosed in the financial statements:

A class action suit by District taxpayers regarding allegations of misrepresentations related to budgets, curriculum, construction projects and tax increases was settled in October 2022 in the amount of \$27 million of which \$15 million will be paid directly to taxpayers who owned property during the tax years 2016-2021 and was accrued in accounts payable as of June 30, 2022. The remaining \$12 million will be shown as a credit on future real estate tax billings for the 2023, 2024, and 2025 real estate tax levies. This amount is shown as restricted in the General Fund - Balance Sheet and Statement of Net Position (Deficit) of June 30, 2024.

15. RISK MANAGEMENT

Health Insurance

The District participates in a consortium with other participating school districts and educational agencies from Montgomery County to provide self-insurance programs for health and prescription insurance coverage and related expenses for eligible employees, spouses and dependents. Accordingly, benefit payments plus an administrative charge are made to a third-party administrator, who approves and processes all claims.

Other Risks

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs including workers compensation. For insured programs, there were no significant reductions in insurance coverages during the 2023-2024 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

16. SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 28, 2025, the date on which the financial statements were available to be issued. No material subsequent events have occurred since June 30, 2024 that required recognition or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

**Lower Merion School District
Budgetary Comparison Schedule – General Fund
Year Ended June 30, 2024**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Local sources	\$266,362,668	\$266,362,668	\$ 267,483,431	\$ 1,120,763
State sources	47,842,505	47,842,505	47,688,936	(153,569)
Federal sources	<u>2,426,000</u>	<u>2,426,000</u>	<u>2,111,342</u>	<u>(314,658)</u>
Total revenues	<u>316,631,173</u>	<u>316,631,173</u>	<u>317,283,709</u>	<u>652,536</u>
Expenditures				
Instruction				
Regular programs	122,645,896	121,545,896	121,045,821	500,075
Special programs	58,236,379	57,786,379	57,781,523	4,856
Vocational programs	909,430	943,430	943,208	222
Other instructional programs	1,005,479	1,116,979	1,116,939	40
Nonpublic school programs	<u>10,000</u>	<u>24,250</u>	<u>24,205</u>	<u>45</u>
Total instruction	<u>182,807,184</u>	<u>181,416,934</u>	<u>180,911,696</u>	<u>505,238</u>
Support services				
Pupil support services	11,842,566	11,842,566	11,105,155	737,411
Instructional staff services	8,001,389	7,902,639	7,491,229	411,410
Administrative services	18,176,982	18,176,982	18,134,465	42,517
Pupil health	4,513,786	4,631,786	4,631,106	680
Business services	1,380,546	1,413,546	1,413,392	154
Operation and maintenance of plant services	22,361,635	22,446,635	22,446,452	183
Student transportation services	18,539,632	19,939,632	19,938,508	1,124
Central and other support services	<u>10,693,357</u>	<u>10,293,357</u>	<u>9,944,886</u>	<u>348,471</u>
Total support services	<u>95,509,893</u>	<u>96,647,143</u>	<u>95,105,193</u>	<u>1,541,950</u>
Operation of noninstructional services				
Student activities	6,968,833	6,968,833	6,874,657	94,176
Community services	<u>292,700</u>	<u>292,700</u>	<u>271,831</u>	<u>20,869</u>
Total operation of noninstructional services	<u>7,261,533</u>	<u>7,261,533</u>	<u>7,146,488</u>	<u>115,045</u>
Debt service	<u>31,898,063</u>	<u>32,151,063</u>	<u>32,150,584</u>	<u>479</u>
Total expenditures	<u>317,476,673</u>	<u>317,476,673</u>	<u>315,313,961</u>	<u>2,162,712</u>
Excess (deficiencies) of revenues over (under) expenditures	<u>(845,500)</u>	<u>(845,500)</u>	<u>1,969,748</u>	<u>2,815,248</u>
Other financing sources (uses)				
Transfers out	(2,972,000)	(2,972,000)	(2,900,000)	72,000
Refund of prior year receipts	<u>(182,500)</u>	<u>(182,500)</u>	<u>(97,050)</u>	<u>85,450</u>
Total other financing sources (uses)	<u>(3,154,500)</u>	<u>(3,154,500)</u>	<u>(2,997,050)</u>	<u>157,450</u>
Net change in fund balance	<u>\$ (4,000,000)</u>	<u>\$ (4,000,000)</u>	<u>(1,027,302)</u>	<u>\$ 2,972,698</u>
Fund balance				
Beginning of year			<u>28,057,188</u>	
End of year			<u>\$ 27,029,886</u>	

**Lower Merion School District
Schedule of the District's Proportionate Share of the Net Pension Liability – PSERS
Years Ended June 30**

	Measurement Date									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension liability	0.9370%	0.9277%	0.9328%	0.9123%	0.9034%	0.8819%	0.8928%	0.8892%	0.8798%	0.8504%
District's proportionate share of the net pension liability	\$ 416,837,381	\$ 412,443,564	\$ 382,977,177	\$ 449,208,000	\$ 422,634,000	\$ 423,356,222	\$ 440,940,000	\$ 440,659,000	\$ 381,089,000	\$ 336,594,000
District's covered-employee payroll	\$ 143,050,693	\$ 136,109,440	\$ 127,994,129	\$ 127,994,129	\$ 124,589,330	\$ 118,766,849	\$ 118,860,782	\$ 115,166,003	\$ 113,197,880	\$ 108,521,471
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	291.39%	303.02%	299.21%	350.96%	339.22%	356.46%	370.97%	382.63%	336.66%	310.16%
Plan fiduciary net position as a percentage of the total pension liability	61.85%	61.34%	63.67%	54.32%	55.56%	54.00%	52.00%	50.00%	54.00%	57.00%

**Lower Merion School District
Schedule of the District's Pension Plan Contributions - PSERS
Years Ended June 30**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 49,323,069	\$ 49,066,131	\$ 46,243,239	\$ 44,329,637	\$ 44,720,699	\$ 42,976,816	\$ 40,688,465	\$ 34,492,626	\$ 28,289,000	\$ 22,717,000
Contributions in relation to the contractually required contribution	<u>\$ 49,323,069</u>	<u>\$ 49,066,131</u>	<u>\$ 46,243,239</u>	<u>\$ 44,329,637</u>	<u>\$ 44,720,699</u>	<u>\$ 42,976,816</u>	<u>\$ 40,688,465</u>	<u>\$ 34,492,626</u>	<u>\$ 28,289,000</u>	<u>\$ 22,717,000</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 147,850,926	\$ 143,050,693	\$ 136,109,440	\$ 127,994,129	\$ 127,994,129	\$ 124,589,330	\$ 118,766,849	\$ 118,860,782	\$ 115,166,003	\$ 113,197,880
Contributions as a percentage of covered-employee payroll	33.36%	34.30%	33.98%	34.63%	34.94%	34.49%	34.26%	29.02%	24.56%	20.07%

**Lower Merion School District
Schedule of Changes in OPEB Liability – Single Employer Plan
Years Ended June 30**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability							
Service cost	\$ 513,738	\$ 760,557	\$ 753,281	\$ 712,373	\$ 705,819	\$ 834,823	\$ 795,592
Interest on total OPEB liability	405,066	274,904	226,032	389,984	340,340	386,365	293,799
Differences between expected and actual experience	-	513,488	-	(772,783)	-	(1,466,637)	-
Changes of assumptions	84,035	(2,777,984)	(476,022)	736,435	(373,919)	(22,993)	(1,409)
Benefit payments	<u>(596,205)</u>	<u>(614,019)</u>	<u>(595,703)</u>	<u>(520,669)</u>	<u>(460,099)</u>	<u>(603,194)</u>	<u>(557,843)</u>
Net change in total OPEB liability	406,634	(1,843,054)	(92,412)	545,340	212,141	(871,636)	530,139
Total OPEB liability, beginning	<u>9,786,234</u>	<u>11,629,288</u>	<u>11,721,700</u>	<u>11,176,360</u>	<u>10,964,219</u>	<u>11,835,855</u>	<u>11,305,716</u>
Total OPEB liability, ending	<u>\$ 10,192,868</u>	<u>\$ 9,786,234</u>	<u>\$ 11,629,288</u>	<u>\$ 11,721,700</u>	<u>\$ 11,176,360</u>	<u>\$ 10,964,219</u>	<u>\$ 11,835,855</u>
Fiduciary net position as a % of total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered payroll	\$ 133,095,318	\$ 133,095,318	\$ 119,898,842	\$ 119,898,842	\$ 114,511,540	\$ 114,511,540	\$ 109,660,791
Net OPEB liability as a % of covered payroll	7.66%	7.35%	9.70%	9.78%	9.76%	9.57%	10.79%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**Lower Merion School District
Schedule of the District's Proportionate Share of the Net OPEB Liability - PSERS
Years Ended June 30**

	Measurement Date						
	2023	2022	2021	2020	2019	2018	2017
District's proportion of the net OPEB liability	0.9337%	0.9256%	0.9310%	0.9123%	0.9034%	0.8819%	0.8928%
District's proportionate share of the net OPEB liability	\$ 16,892,743	\$ 17,038,176	\$ 22,065,473	\$ 19,703,000	\$ 19,214,000	\$ 18,387,000	\$ 18,190,000
District's covered-employee payroll	\$ 143,050,693	\$ 136,109,440	\$ 131,974,804	\$ 127,994,129	\$ 124,589,330	\$ 118,766,849	\$ 118,860,782
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	11.81%	12.52%	16.72%	15.39%	15.42%	15.48%	15.30%
Plan fiduciary net position as a percentage of the total OPEB liability	7.22%	6.86%	5.30%	5.69%	5.56%	5.56%	6.00%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**Lower Merion School District
Schedule of the District's OPEB Plan Contributions - PSERS
Years Ended June 30**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 955,230	\$ 1,067,761	\$ 1,080,851	\$ 1,083,358	\$ 1,088,482	\$ 1,035,933	\$ 980,441	\$ 876,812
Contributions in relation to the contractually required contribution	<u>\$ 955,230</u>	<u>\$ 1,067,761</u>	<u>\$ 1,080,851</u>	<u>\$ 1,083,358</u>	<u>\$ 1,088,482</u>	<u>\$ 1,035,933</u>	<u>\$ 980,441</u>	<u>\$ 876,812</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 147,850,926	\$ 143,050,693	\$ 136,109,440	\$ 131,974,804	\$ 127,994,129	\$ 124,589,330	\$ 118,766,849	\$ 118,860,782
Contributions as a percentage of covered-employee payroll	0.64%	0.75%	0.79%	0.82%	0.85%	0.83%	0.83%	0.74%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

SINGLE AUDIT

**Lower Merion School District
Schedule of Expenditures of Federal Awards and Certain State Grants
Years Ended June 30, 2024**

<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal ALN Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Dates</u>	<u>Grant Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue July 1, 2023</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2024</u>	<u>Passed Through to Subrecipients</u>
<u>U.S. Department of Education</u>											
Passed-Through the Pennsylvania Department of Education											
Title I - Improving Basic Programs	I	84.010	013-230232	07/01/22 - 09/30/23	\$ 285,138	\$ 285,138	\$ 285,138	\$ -	\$ -	\$ -	\$ -
Title I - Improving Basic Programs	I	84.010	013-240232	07/01/23 - 09/30/24	395,519	121,205	-	395,519	395,519	274,314	-
Total ALN #84.010						406,343	285,138	395,519	395,519	274,314	-
Title II - Improving Teacher Quality	I	84.367	020-220232	07/01/21 - 09/30/22	144,859	106,200	106,200	-	-	-	-
Title II - Improving Teacher Quality	I	84.367	020-230232	07/01/22 - 09/30/23	127,187	127,187	127,187	-	-	-	-
Title II - Improving Teacher Quality	I	84.367	020-240232	07/01/23 - 09/30/24	169,740	51,811	-	169,740	169,740	117,929	-
Total ALN #84.367						285,198	233,387	169,740	169,740	117,929	-
Title III - Language Instruction LEP/ Immigrant Students	I	84.365	010-220232	07/01/21 - 09/30/22	47,313	34,853	34,853	-	-	-	-
Title III - Language Instruction LEP/ Immigrant Students	I	84.365	010-230232	07/01/22 - 09/30/23	47,732	-	6,193	44,419	44,419	50,612	-
Title III - Language Instruction LEP/ Immigrant Students	I	84.365	010-240232	07/01/23 - 09/30/24	57,601	19,038	-	13,549	13,549	(5,489)	-
Total ALN #84.367						53,891	41,046	57,968	57,968	45,123	-
Title IV - Student Support and Academic Enrichment	I	84.424	144-220232	07/01/21 - 09/30/22	21,983	16,124	16,124	-	-	-	-
Title IV - Student Support and Academic Enrichment	I	84.424	144-230232	07/01/22 - 09/30/23	24,222	24,222	24,222	-	-	-	-
Title IV - Student Support and Academic Enrichment	I	84.424	144-240232	07/01/23 - 09/30/24	24,222	6,868	-	22,322	22,322	15,454	-
Total ALN #84.424						47,214	40,346	22,322	22,322	15,454	-
COVID-19 ARP ESSER	I	84.425U	223-210232	03/13/20 - 09/30/24	2,183,496	1,468,897	1,406,751	617,945	617,945	555,799	-
COVID-19 ARP ESSER 7% Set Aside	I	84.425U	225-210232	03/13/20 - 09/30/24	169,708	160,471	160,471	-	-	-	-
Total ALN #84.425						1,629,368	1,567,222	617,945	617,945	555,799	-
Passed Through the Montgomery County I.U.											
I.D.E.A. - Part B, Section 611	I	84.027	062-230023	07/01/22 - 09/30/23	1,641,103	464,151	464,151	-	-	-	-
I.D.E.A. - Part B, Section 611	I	84.027	062-240023	07/01/23 - 09/30/24	1,891,398	961,790	-	1,891,398	1,891,398	929,608	-
Total ALN #84.027						1,425,941	464,151	1,891,398	1,891,398	929,608	-

**Lower Merion School District
Schedule of Expenditures of Federal Awards and Certain State Grants
Years Ended June 30, 2024**

<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal ALN Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Dates</u>	<u>Grant Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue July 1, 2023</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2024</u>	<u>Passed Through to Subrecipients</u>
I.D.E.A. - Part B, Section 619	I	84.173	131-220023	07/01/21 - 06/30/22	4,704	706	706	-	-	-	-
I.D.E.A. - Part B, Section 619	I	84.173	131-240023	07/01/23 - 06/30/24	4,800	4,800	-	4,800	4,800	-	-
Total ALN #84.173						5,506	706	4,800	4,800	-	-
Total U.S. Department of Education						3,853,461	2,631,996	3,159,692	3,159,692	1,938,227	-
<u>U.S. Department of the Treasury</u>											
Passed Through Montgomery County COVID-19 Youth Behavioral Health Program Start Up	I	21.027	SLFRP3241	03/3/21 - 12/31/26	200,000	200,000	-	200,000	200,000	-	-
<u>U.S. Department of Homeland Security</u>											
Passed Through the Pennsylvania Emergency Management Agency COVID-19 Disaster Grants - Public Assistance	I	97.036	N/A	07/01/21 - 06/30/22	31,933	-	3,193	-	-	3,193	-
<u>U.S. Department of Health and Social Services</u>											
Passed Through the Pennsylvania Department of Public Welfare Medical Assistance Program	I	93.778	N/A	07/01/22 - 06/30/23	N/A	27,960	27,960	-	-	-	-
Medical Assistance Program	I	93.778	N/A	07/01/23 - 06/30/24	N/A	-	-	39,445	39,445	39,445	-
Total ALN #93.788						27,960	27,960	39,445	39,445	39,445	-
<u>U.S. Department of Agriculture</u>											
Passed-Through the Pennsylvania Department of Education State Matching Share - Lunch	S	N/A	N/A	07/01/23 - 06/30/24	N/A	59,506	9,610	59,217	59,217	9,321	-
State Matching Share - Breakfast	S	N/A	N/A	07/01/23 - 06/30/24	N/A	311,707	44,658	325,016	325,016	57,967	-
Total State Matching						371,213	54,268	384,233	384,233	67,288	-
Breakfast Program	I	10.553	N/A	07/01/23 - 06/30/24	N/A	196,706	32,896	199,619	199,619	35,809	-
P-EBT Local Operating Funds	I	10.649	N/A	07/01/23 - 06/30/24	N/A	3,256	-	3,256	3,256	-	-

**Lower Merion School District
Schedule of Expenditures of Federal Awards and Certain State Grants
Years Ended June 30, 2024**

<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal ALN Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Dates</u>	<u>Grant Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue July 1, 2023</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2024</u>	<u>Passed Through to Subrecipients</u>
National School Lunch Program	I	10.555	N/A	07/01/23 - 06/30/24	N/A	786,286	141,339	763,586	763,586	118,639	-
Supply Chain Assistance	I	10.555	N/A	07/01/23 - 06/30/24	N/A	198,872	-	198,872	198,872	-	-
Passed-Through the Pennsylvania Department of Agriculture											
National School Lunch Program	I	10.555	N/A	07/01/23 - 06/30/24	N/A	a) <u>282,379</u>	b) <u>(32,929)</u>	c) <u>283,573</u>	<u>283,573</u>	d) <u>(31,735)</u>	-
Total ALN #10.555						<u>1,267,537</u>	<u>108,410</u>	<u>1,246,031</u>	<u>1,246,031</u>	<u>86,904</u>	-
Total U.S. Department of Agriculture						<u>1,838,712</u>	<u>195,574</u>	<u>1,833,139</u>	<u>1,833,139</u>	<u>190,001</u>	-
Total Federal awards and certain state grants						<u>\$ 5,920,133</u>	<u>\$ 2,858,723</u>	<u>\$ 5,232,276</u>	<u>\$ 5,232,276</u>	<u>\$ 2,170,866</u>	<u>\$ -</u>
Total Federal awards						<u>\$ 5,548,920</u>	<u>\$ 2,804,455</u>	<u>\$ 4,848,043</u>	<u>\$ 4,848,043</u>	<u>\$ 2,103,578</u>	<u>\$ -</u>
Total State awards						<u>371,213</u>	<u>54,268</u>	<u>384,233</u>	<u>384,233</u>	<u>67,288</u>	<u>-</u>
Total Federal awards and certain state grants						<u>\$ 5,920,133</u>	<u>\$ 2,858,723</u>	<u>\$ 5,232,276</u>	<u>\$ 5,232,276</u>	<u>\$ 2,170,866</u>	<u>\$ -</u>
Special Education Cluster											
(IDEA) (ALN's #84.027 and #84.173)						<u>\$ 1,431,447</u>	<u>\$ 464,857</u>	<u>\$ 1,896,198</u>	<u>\$ 1,896,198</u>	<u>\$ 929,608</u>	<u>\$ -</u>
Child Nutrition Cluster											
(ALN's #10.553 and #10.555)						<u>\$ 1,464,243</u>	<u>\$ 141,306</u>	<u>\$ 1,445,650</u>	<u>\$ 1,445,650</u>	<u>\$ 122,713</u>	<u>\$ -</u>

Source Codes

- D - Direct Funding
- I - Indirect Funding
- S - State Funding
- ALN - Assistance Listing Number

Footnotes

- a) Total amount of commodities received
- b) Beginning inventory July 1
- c) Total amount of commodities used
- d) Ending inventory June 30

Lower Merion School District
Notes to Schedule of Expenditures of Federal Awards and Certain State Grants
June 30, 2024

1. FEDERAL EXPENDITURES

The Schedule of Expenditures of Federal Awards and Certain State Grants reflects federal expenditures for all individual grants which were active during the fiscal year. Additionally, the Schedule reflects expenditures for certain state grants.

2. BASIS OF ACCOUNTING

The District uses the modified accrual method of recording transactions except as noted for the accounting of donated commodities in Note 3. Revenues are recorded when measurable and available. Expenditures are recorded when incurred.

3. NONMONETARY FEDERAL AWARDS – DONATED FOOD

The Commonwealth of Pennsylvania distributes federal surplus food to institutions (schools, hospitals and prisons) and to the needy. Expenditures reported in the Schedule of Expenditures of Federal Awards and Certain State Grants under ALN #10.555 USDA Commodities represent federal surplus food consumed by the District during the 2023-2024 fiscal year.

4. ACCESS PROGRAM

The District participates in the ACCESS Program which is a medical assistance program that reimburses local educational agencies for direct eligible health-related services provided to enrolled special needs students. Reimbursements are federal source revenues but are classified as fee-for-service and are not considered federal financial assistance. The amount of ACCESS funding recognized for the year ended June 30, 2024 was \$808,424.

5. INDIRECT COSTS

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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

To the Board of School Directors of
Lower Merion School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lower Merion School District, Ardmore, Pennsylvania, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Lower Merion School District's basic financial statements, and have issued our report thereon dated February 28, 2025.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lower Merion 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 financial statements. 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.

WithumSmith+Brown, PC

February 28, 2025

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of School Directors of
Lower Merion School District:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Lower Merion School District's compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of Lower Merion School District's major federal programs for the year ended June 30, 2024. Lower Merion School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Lower Merion 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, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Lower Merion School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Lower Merion School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Lower Merion School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Lower Merion School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Lower Merion School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Lower Merion School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Lower Merion School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Lower Merion School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Withum Smith + Brown, PC

February 28, 2025

**Lower Merion School District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2024**

Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Lower Merion School District were prepared in accordance with GAAP.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements of Lower Merion School District are reported in the independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of Lower Merion School District, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over the major federal award programs are reported in the independent auditor's report on compliance for each major program and on internal control over compliance required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for Lower Merion School District expresses an unmodified opinion on all major federal programs.
6. There are no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) of the Uniform Guidance.
7. The programs tested as major programs were:

Special Education Cluster:
I.D.E.A. – Part B, Section 611 – Assistance Listing #84.027
I.D.E.A. – Part B, Section 619 - Assistance Listing #84.173
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. Lower Merion School District did qualify as a low-risk auditee.

Findings – Financial Statement Audit

None.

Findings and Questioned Costs – Major Federal Award Programs Audit

None.

Summary Schedule of Prior Year Auditing Findings

None.