

Financial Statements

Lower Merion School District
Montgomery County, Pennsylvania

June 30, 2021

TABLE OF CONTENTS

<u>Title</u>	<u>Page No.</u>
Independent Auditors' Report on Financial Statements	1-2
Management's Discussion and Analysis	3-15

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements:

Statement of Net Position (Deficit)	16
Statement of Activities	17

Fund Financial Statements:

Balance Sheet - Governmental Funds	18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position (Deficit)	19
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	20
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	21
Statement of Net Position (Deficit) - Proprietary Funds	22
Statement of Revenues, Expenses, and Changes in Net Position (Deficit) - Proprietary Funds	23
Statement of Cash Flows - Proprietary Funds	24
Statement of Fiduciary Net Position	25
Statement of Changes in Fiduciary Net Position	26
Notes to the Financial Statements	27-52

Required Supplementary Information:

Budgetary Comparison Schedule - General Fund	53
Schedule of the District's Proportionate Share of the Net Pension Liability	54
Schedule of the District Pension Contributions	55
Schedule of Changes in Net OPEB Liability and Related Ratios	56
Schedule of the District's Proportionate Share of the OPEB - PSERS Liability	57
Schedule of the District's OPEB - PSERS Contributions	58



INDEPENDENT AUDITORS' REPORT

Board of School Directors
Lower Merion School District
Montgomery County, Pennsylvania

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lower Merion School District, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 15, budgetary comparison information on page 53, the schedule of the District's proportionate share of the net pension liability on page 54, the schedule of District's pension contributions on page 55, the schedule of net OPEB liability and related ratios on page 56, the schedule of the District's proportionate share of the OPEB-PSERS liability on page 57, and the schedule of District's OPEB-PSERS contributions on page 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2022, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Lower Merion School District's 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.

Rainer & Company

Rainer & Company

Newtown Square, PA
January 12, 2022

LOWER MERION SCHOOL DISTRICT
Management's Discussion and Analysis
June 30, 2021

The discussion and analysis of Lower Merion School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2021. 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 and the notes to the financial statements.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement Number 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. Comparative information between the current year and the prior year is required to be presented.

FINANCIAL HIGHLIGHTS

The trends of prior years indicated that during the fiscal year 2020-21, the Lower Merion School District experienced an increase in benefits for employees and increased costs for instruction, as well as additional costs related to the pandemic. In the budgeting process for the 2020-21 Budget, the Board of School Directors was able to balance the budget with a .07646 mills increase (\$7.65 per \$10,000 of assessed value) to the taxpayers within the District. Through prudent financial management, the actual expenditures did not increase as much as was anticipated when the budget was prepared. The combination of revenues exceeding the budget and less expenditures than budgeted resulted in the opportunity for the Board to transfer additional funds into the Capital Reserve Fund. The fund balance commitment categories are for future pension obligations and postemployment benefit obligations.

OVERVIEW OF FINANCIAL STATEMENTS

The accompanying financial statements have been prepared in accordance with GASB Statement Number 34 and present both government-wide and fund level financial statements using both the accrual and modified accrual basis of accounting, respectively.

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 it has changed. Net position, the difference between the District's assets and liabilities, is one way to measure the District's financial health or position.

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

LOWER MERION SCHOOL DISTRICT
Management's Discussion and Analysis
June 30, 2021

Government-Wide Financial Statements (Continued)

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, 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 Level 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 fund statements tell how the District's general services 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 this District this is 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 (Deficit) and the Statement of Activities) and governmental funds is reconciled in the financial statements.
- **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, and a significant portion of funding through user charges. When the District charges customers for services it provides - whether to outside customers or to other units in the District - these services are generally reported in proprietary funds. The Food Service Fund is the District's proprietary fund and is the same as the business-type activities we report in the government-wide statements.
- **Fiduciary Funds** - The District is the trustee, or fiduciary, for some scholarship funds. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations.

LOWER MERION SCHOOL DISTRICT
Management's Discussion and Analysis
June 30, 2021

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

FINANCIAL ANALYSIS OF THE DISTRICT - GOVERNMENT-WIDE STATEMENTS

The District's total net deficit was \$99,122,058 and \$109,645,489 as of June 30, 2021 and 2020, respectively. The following table presents condensed financial information for the net position (deficit) of the District as of June 30, 2021 and 2020.

Schedule of Net Position (Deficit)
Years Ended June 30, 2021 and 2020

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current Assets	\$ 172,028,055	\$ 136,760,758	\$ 1,287,388	\$ 2,529,812	\$ 173,315,443	\$ 139,290,570
Capital Assets	456,364,763	429,240,644	99,880	110,657	456,464,643	429,351,301
Deferred Outflows of Resources	77,515,161	60,750,193	574,104	494,530	78,089,265	61,244,723
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	705,907,979	626,751,595	1,961,372	3,134,999	707,869,351	629,886,594
Current Liabilities	64,569,920	58,327,624	618,168	1,166,652	65,188,088	59,494,276
Noncurrent Liabilities	723,517,675	656,201,722	3,794,299	3,890,803	727,311,974	660,092,525
Deferred Inflows of Resources	14,385,248	19,782,376	106,099	162,906	14,491,347	19,945,282
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	802,472,843	734,311,722	4,518,566	5,220,361	806,991,409	739,532,083
Net Position (Deficit):						
Invested in Capital Assets, Net of Related Debt	189,723,478	201,898,843	99,880	110,657	189,823,358	202,009,500
Restricted: Capital Projects	77,956,252	49,495,271	0	0	77,956,252	49,495,271
Unrestricted	(364,244,594)	(358,954,241)	(2,657,074)	(2,196,019)	(366,901,668)	(361,150,260)
TOTAL NET POSITION (DEFICIT)	\$ (96,564,864)	\$(107,560,127)	\$(2,557,194)	\$(2,085,362)	\$ (99,122,058)	\$(109,645,489)

LOWER MERION SCHOOL DISTRICT
Management's Discussion and Analysis
June 30, 2021

The results of this year's operations as a whole are reported in the Statement of Activities. All expenses are reported in the first column. Specific charges, grants, revenues, and subsidies that directly relate to specific expense categories are represented to determine the final amount of the District's activities that are supported by other general revenues. The largest revenues are property taxes, local taxes, and the state basic education subsidy.

The following table presents condensed financial information for the Statement of Activities in a different format to show total revenues for the year. Compared to the prior year, the District's total revenues increased by \$5,031,620 or 1.77%. Property taxes, which include current and interim real estate taxes, increased by \$6,180,580 or 2.69%. Investment earnings decreased by \$2,778,768 or 94.68%. Governmental activities expenses increased by \$8,577,886 or 3.19%.

Statement of Activities
For the Years Ended June 30, 2021 and 2020

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
REVENUES:						
Program Services:						
Charges for Services	\$ 735,830	\$ 908,269	\$ 100,536	\$2,054,066	\$ 836,366	\$ 2,962,335
Operating Grants and Contributions	34,785,894	32,047,081	1,480,460	1,031,905	36,266,354	33,078,986
General Revenues:						
Property Taxes	235,719,391	229,538,811	0	0	235,719,391	229,538,811
Other Taxes	5,492,671	4,165,307	0	0	5,492,671	4,165,307
Grants, Subsidies and						
Contributions Not Restricted	11,224,622	11,530,807	0	0	11,224,622	11,530,807
Investment Earnings	156,139	2,934,907	0	0	156,139	2,934,907
Miscellaneous Income	5,336	52,645	0	0	5,336	52,645
Loss on Disposal of Capital Assets	(405,461)	0	0	0	(405,461)	0
TOTAL REVENUES	287,714,422	281,177,827	1,580,996	3,085,971	289,295,418	284,263,798
EXPENSES:						
Instruction	\$ 168,720,929	\$ 158,961,020	0	0	168,720,929	158,961,020
Instructional Student Support	21,762,367	23,128,797	0	0	21,762,367	23,128,797
Administrative and Financial Support	18,079,143	16,936,496	0	0	18,079,143	16,936,496
Operation and Maintenance of						
Plant Services	29,220,234	29,259,355	0	0	29,220,234	29,259,355
Pupil Transportation	14,493,452	14,554,945	0	0	14,493,452	14,554,945
Student Activities	5,392,822	5,306,722	0	0	5,392,822	5,306,722
Community Services	245,040	183,515	0	0	245,040	183,515
Interest on Long-Term Debt	6,382,975	7,961,945	0	0	6,382,975	7,961,945
Unallocated Depreciation Expense	12,422,197	11,848,478	0	0	12,422,197	11,848,478
Food Services	0	0	2,052,828	3,403,057	2,052,828	3,403,057
TOTAL EXPENSES	276,719,159	268,141,273	2,052,828	3,403,057	278,771,987	271,544,330
CHANGE IN NET POSITION	\$ 10,995,263	\$ 13,036,554	\$ (471,832)	\$ (317,086)	\$ 10,523,431	\$ 12,719,468

LOWER MERION SCHOOL DISTRICT
Management's Discussion and Analysis
June 30, 2021

EXPENSES

The following table presents condensed financial information on the expenses of the District by function. The table illustrates both the gross and net costs of services. Unrestricted grants, subsidies, and contributions are deducted to reflect the amount needed to be funded by other revenue sources. The amount needed to be funded by other revenue sources increased by \$6,317,697 or 2.8% more than the prior year.

Expense Analysis
For the Years Ended June 30, 2021 and 2020

The following table reflects condensed financial activities of the Food Service Program, the only business-type activity of the District.

	Total Cost of Services		Net Cost of Services	
	2021	2020	2021	2020
Expenses - Governmental Activities:				
Instruction	\$ 168,720,929	\$ 158,961,020	\$ 144,203,789	\$ 137,418,173
Instructional Student Support	21,762,367	23,128,797	19,395,938	20,873,595
Administrative and Financial Support	18,079,143	16,936,496	15,761,463	14,689,578
Operation and Maintenance of Plant Services	29,220,234	29,259,355	27,271,884	27,197,827
Pupil Transportation	14,493,452	14,554,945	10,722,968	10,313,997
Student Activities	5,392,822	5,306,722	4,791,181	4,698,815
Community Services	245,040	183,515	245,040	183,515
Interest on Long-Term Debt	6,382,975	7,961,945	6,382,975	7,961,945
Unallocated Depreciation Expense	12,422,197	11,848,478	12,422,197	11,848,478
TOTAL EXPENSES	\$ 276,719,159	\$ 268,141,273	241,197,435	235,185,923
Less: Grants, Subsidies and Contributions Not Restricted			<u>(11,224,622)</u>	<u>(11,530,807)</u>
AMOUNT NEEDED TO BE FUNDED BY OTHER REVENUE SOURCES			<u>\$ 229,972,813</u>	<u>\$ 223,655,116</u>

Business-Type Activities
For the Years Ended June 30, 2021 and 2020

	Total Cost of Services		Net Cost of Services	
	2021	2020	2021	2020
Expenses - Business-Type Activities:				
Food Services	<u>\$ 2,052,828</u>	<u>\$ 3,403,057</u>	<u>\$ 471,832</u>	<u>\$ 317,086</u>

LOWER MERION SCHOOL DISTRICT
Management's Discussion and Analysis
June 30, 2021

THE DISTRICT FUNDS

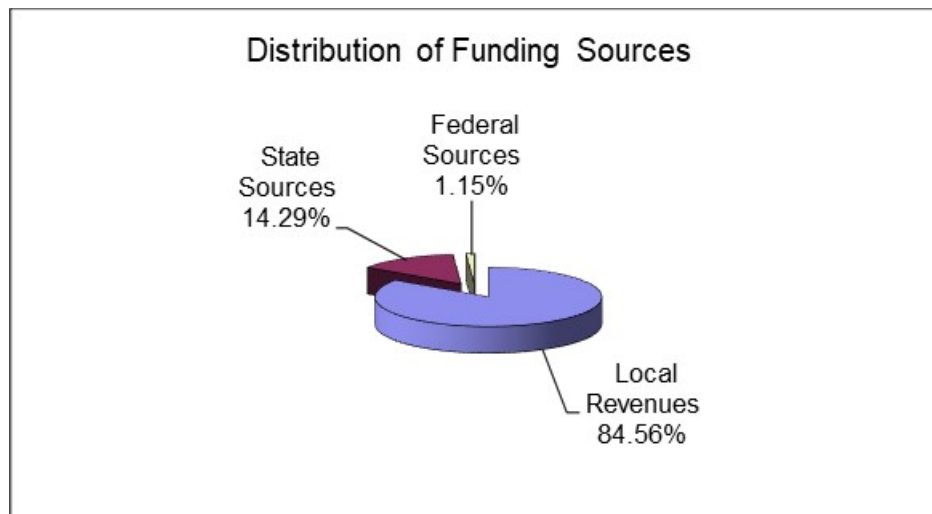
GENERAL FUND

At June 30, 2021, the District reported a total fund balance of \$43,149,087, which consists of \$292,407 as nonspendable fund balance, \$15,300,000 as committed fund balance, \$21,471,296 as assigned fund balance, and \$6,085,384 as unassigned fund balance. This is an increase of \$115,748 from the prior year. The School Board of the Lower Merion School District consciously maintains a fund balance to respond to unforeseen contingencies. This philosophy conforms to the Board's belief that the tax burden should be aligned with both the current and future funding needs of the District. As the School District has experienced unprecedented enrollment growth and the need to expand facilities, the fund balance is necessary to maintain educational programs while, at the same time, responsibly planning for future needs.

Revenues

Revenues totaled \$288,144,407, an increase of \$8,941,578 as compared to the 2020-21 revenues. The following table reflects a comparison of current year revenues with the revenues recognized in the prior year:

	Revenue 2021	% of Total	Increase (Decrease) From 2020	Percentage Increase (Decrease)	Revenue 2020
Local Revenues	\$ 243,640,730	84.56%	\$ 6,572,401	2.77%	\$ 237,068,329
State Sources	41,171,788	14.29%	545,223	1.34%	40,626,565
Federal Sources	3,331,889	1.15%	1,823,954	120.96%	1,507,935
	<u>\$ 288,144,407</u>	<u>100.00%</u>	<u>\$ 8,941,578</u>	<u>3.20%</u>	<u>\$ 279,202,829</u>



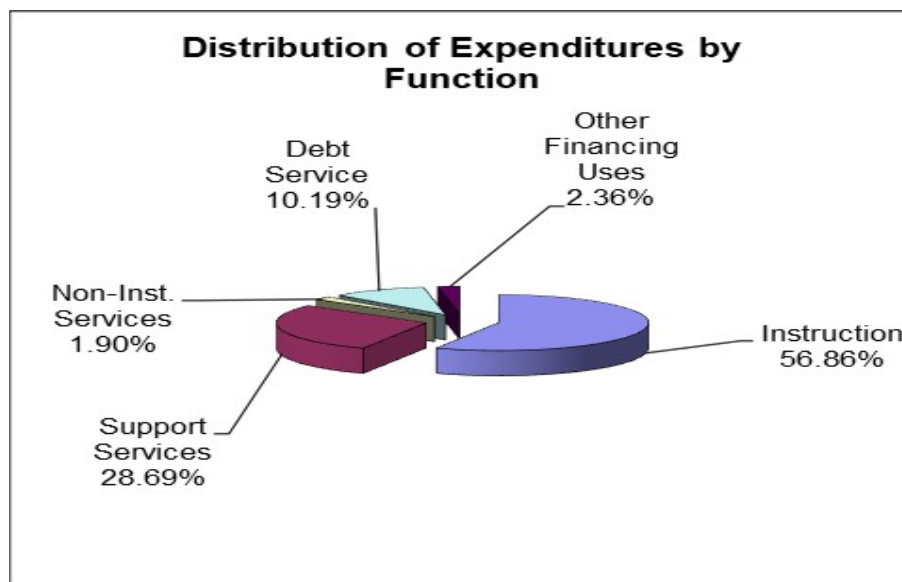
LOWER MERION SCHOOL DISTRICT
Management's Discussion and Analysis
June 30, 2021

The District balanced the budget by utilizing the fund balance from the previous year and increasing the 2020-21 real estate tax rates from 29.4088 to 30.1734 mills. As a result of the increase in millage and increases in real estate assessments, revenues from current, interim, and delinquent real estate taxes increased by \$7,319,434. The collection rate for current real estate taxes was 96.57%. This compares with 97.15% in 2019-20. Real estate transfer taxes collections increased by \$1,334,083. The District experienced a decrease in investment revenue of \$2,199,271 for the general fund.

Expenditures

Expenditures, totaling \$288,028,659, increased \$8,825,830 over the 2019-20 expenditures. These expenditures were segregated into various programs depending on the functions of the activity. These programs and the costs associated with each, as well as comparison to the costs incurred in the prior year and the final 2020-21 budget are as follows:

	Expenditures 2021	% of Total	Increase (Decrease) From 2020	Variance with Final Budget
Instruction	\$ 163,784,200	56.86%	\$ 9,466,086	\$ 264
Support Services	82,642,904	28.69%	2,675,509	569
Non-Instructional Services	5,476,345	1.90%	236,236	97
Debt Service	29,349,561	10.19%	2,838,704	12
Other Financing Uses	6,775,649	2.36%	(6,390,705)	94
TOTAL EXPENDITURES BY FUNCTION	\$ 288,028,659	100.00%	\$ 8,825,830	\$ 1,036



LOWER MERION SCHOOL DISTRICT
Management's Discussion and Analysis
June 30, 2021

The increase in expenditures from 2020-21 is due to increases in various categories. Our pension obligations increased over \$1.7 million from the prior year, as a result of the employer contribution rate increasing from 34.29% to 34.51%. Instructional program costs increased \$9,466,086 from the prior year as a result of increases in salaries due to the collective bargaining agreement, as well as additional staff, technology, and educational materials necessary to accommodate students during the pandemic. Support pupil personnel and instructional costs increased \$602,287 from last year. Also, the Board approved the transfer of \$5.3 million to the Capital Reserve Fund to address future capital needs.

Budget

During the fiscal year, the Board of School Directors authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District. All adjustments are again confirmed at the time the annual audit is accepted. This is done after the end of the fiscal year in accordance with state law. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in the financial statements.

The Budgetary Reserve includes amounts that will be funded for operating contingencies such as an unpredictable change in the cost of goods and services and the occurrence of events which are vaguely perceptible during the time of the budget process but which nonetheless may require expenditures by the District during the year of operation.

CAPITAL PROJECTS FUND

At June 30, 2021, the District reported a fund balance of \$65,228,813 which is an increase of \$29,332,148 from the prior year. Increases in this fund during 2020-21 includes investment earnings of \$24,564. The capital project fund expended \$273,147 in support services and \$33,073,482 for active capital construction projects. In December 2020 the District issued General Obligation Bonds, Series of 2020, in the principal amount of \$50,625,000 for the purpose of funding a portion of a new middle school and new athletic fields, as well as improvements to related facilities and grounds.

CAPITAL RESERVE FUND

At June 30, 2021, the District reported a fund balance of \$12,727,439, which is a decrease of \$871,167 from the prior year. The capital reserve fund reported investment earnings of \$2,644 and a \$5,339,454 transfer from the general fund. Expenditures for the fund include \$4,039,055 in support services and \$2,174,210 in capital outlay expenditures.

LOWER MERION SCHOOL DISTRICT
Management's Discussion and Analysis
June 30, 2021

CAPITAL ASSETS

At June 30, 2021, the District's governmental activities and business-type activities had \$456,464,643 invested in a broad range of capital assets, including land, buildings, and furniture and equipment. This amount represents a net increase (including additions, deletions, and depreciation) of \$27,113,342 from last year.

The following schedule depicts the change in capital assets for the period July 1, 2020 through June 30, 2021. During this period, the District had the following significant additions in capital assets:

	<u>Beginning Balance</u>	<u>Increase (Decrease)</u>	<u>Ending Balance</u>
<u>Governmental Activities:</u>			
Capital Assets:			
Land	\$ 44,856,966	\$ 0	\$ 44,856,966
Land Improvements	6,511,070	994,823	7,505,893
Buildings	485,590,824	3,162,827	488,753,651
Construction in Process	10,024,090	33,255,420	43,279,510
Furniture and Equipment	7,361,837	115,430	7,477,267
Transportation	16,432,183	1,444,266	17,876,449
TOTAL CAPITAL ASSETS	<u>570,776,970</u>	<u>38,972,766</u>	<u>609,749,736</u>
Accumulated Depreciation for:			
Land Improvements	2,666,490	307,992	2,974,482
Buildings	126,380,143	10,089,799	136,469,942
Furniture and Equipment	5,963,261	394,542	6,357,803
Transportation	6,526,432	1,056,314	7,582,746
TOTAL ACCUMULATED DEPRECIATION	<u>141,536,326</u>	<u>11,848,647</u>	<u>153,384,973</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 429,240,644</u>	<u>\$ 27,124,119</u>	<u>\$ 456,364,763</u>
<u>Business-Type Activities:</u>			
Capital Assets:			
Machinery and Equipment	\$ 233,825	\$ 4,178	\$ 238,003
Accumulated Depreciation for:			
Machinery and Equipment	<u>123,168</u>	<u>14,955</u>	<u>138,123</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 110,657</u>	<u>\$ (10,777)</u>	<u>\$ 99,880</u>

LOWER MERION SCHOOL DISTRICT
Management's Discussion and Analysis
June 30, 2021

DEBT ADMINISTRATION

As of July 1, 2020, the District had total outstanding bond principal of \$216,400,000. In December 2020, the District issued General Obligation Bonds, Series of 2020, in the principal amount of \$50,625,000 for the purpose of funding a portion of a new middle school and new athletic fields, as well as improvements to related facilities and grounds. In addition, in March 2021, the District issued General Obligation Bonds, Series A of 2021, in the principal amount of \$24,785,000 for the purpose of the refunding the General Obligation Bonds, Series 2012. During the year, the District paid principal in the amount of \$21,070,000 resulting in ending outstanding debt as of June 30, 2021 of \$241,160,000.

Other obligations include accrued vacation pay and severance for specific employees of the District. More detailed information about our long-term liabilities is included in the notes to the financial statements.

Debt Service Schedule
June 30, 2021

	Principal Outstanding July 1, 2020	Maturities	Additions (Refinancing)	Principal Outstanding June 30, 2021
General Obligation Note, Series of 1989	\$ 9,600,000	\$ 2,300,000	\$ 0	\$ 7,300,000
General Obligation Bonds, Series A & B of 2009	49,475,000	6,110,000	0	43,365,000
General Obligation Bonds, Series A of 2012	32,665,000	3,085,000	(29,580,000)	0
General Obligation Bonds, Series A of 2015	8,090,000	435,000	0	7,655,000
General Obligation Bonds, Series B of 2015	26,255,000	3,015,000	0	23,240,000
General Obligation Bonds, Series of 2016	46,895,000	6,115,000	0	40,780,000
General Obligation Bonds, Series of 2019	24,470,000	5,000	0	24,465,000
General Obligation Bonds, Series A of 2019	18,950,000	5,000	0	18,945,000
General Obligation Bonds, Series A of 2020	0	0	50,625,000	50,625,000
General Obligation Bonds, Series A of 2021	0	0	24,785,000	24,785,000
	<u>\$ 216,400,000</u>	<u>\$ 21,070,000</u>	<u>\$ 45,830,000</u>	<u>\$ 241,160,000</u>

THE DISTRICT'S FUTURE

The total District enrollment has increased over the last ten school years resulting from out of state move-ins, fewer students enrolling in private schools, and housing turnover resulting in more families with school age children. From 1998 - 2012, the District renovated and expanded all six elementary schools, both middle schools, and built two new high schools, Harriton and Lower Merion. The District has an extensive technology infrastructure and a district-wide area network. All schools are connected to the network.

LOWER MERION SCHOOL DISTRICT
Management's Discussion and Analysis
June 30, 2021

Enrollment projections and District-wide facilities studies were completed in 2012 and 2013. Enrollment projections were updated in April 2015, November 2016, December 2017, December 2018, and November 2019. Due to the pandemic, enrollment projections were not performed in 2020. The results of these studies have been incorporated into building renovations, additions, and new construction to accommodate growth throughout the District.

Additions at Gladwyne and Penn Valley Elementary Schools were completed in the 2014/2015 school year, and additions and alterations at the Bala Cynwyd and Welsh Valley Middle schools were completed for the 2015/16 school year.

A portion of the District Administration Building was renovated to create additional science classroom space for Lower Merion High School. This work was completed in fall 2016.

To accommodate increased enrollment, four temporary classrooms were installed at Penn Wynne Elementary School (summer 2016), six temporary classrooms were installed at Bala Cynwyd Middle School (summer of 2017), and four temporary classrooms were installed at Merion Elementary School (summer of 2020).

Construction of the new Black Rock Middle School started in the spring of 2020. This building is scheduled to open in September 2022.

STRATEGIC PLAN

Lower Merion School 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 Lower Merion School 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.

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. We 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.

LOWER MERION SCHOOL DISTRICT
Management's Discussion and Analysis
June 30, 2021

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.

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.

LOWER MERION SCHOOL DISTRICT
Management's Discussion and Analysis
June 30, 2021

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.

FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors, and creditors with a general overview of the District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact Victor J. Orlando, Business Manager, Lower Merion School District, 301 East Montgomery Avenue, Ardmore, PA 19003.

LOWER MERION SCHOOL DISTRICT

Statement of Net Position (Deficit)

June 30, 2021

<u>ASSETS</u>	Governmental Activities	Business-Type Activities	Total
Current:			
Cash and Cash Equivalents	\$ 20,736,512	\$ 0	\$ 20,736,512
Investments	126,708,386	953,289	127,661,675
Due from Other Governments	13,220,230	179,195	13,399,425
Other Receivables	371,123	4,686	375,809
Property Taxes Receivable, Net	3,518,799	0	3,518,799
Internal Balances	7,180,598	69,890	7,250,488
Inventories	0	80,328	80,328
Prepaid Expenses	292,407	0	292,407
TOTAL CURRENT ASSETS	172,028,055	1,287,388	173,315,443
Capital Assets, Net of Accumulated Depreciation	456,364,763	99,880	456,464,643
TOTAL ASSETS	628,392,818	1,387,268	629,780,086
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows of Resources - Pension Plan	73,677,641	554,058	74,231,699
Deferred Outflows of Resources - OPEB - PSERS	2,597,436	20,046	2,617,482
Deferred Outflows of Resources - OPEB	1,240,084	0	1,240,084
TOTAL DEFERRED OUTFLOWS OF RESOURCES	77,515,161	574,104	78,089,265
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 705,907,979	\$ 1,961,372	\$ 707,869,351
<u>LIABILITIES</u>			
Current:			
Accounts Payable and Other Current Liabilities	\$ 42,079,141	\$ 40,578	\$ 42,119,719
Internal Balances	0	222,494	222,494
Bonds Payable Due Within One Year	20,455,000	0	20,455,000
Unearned Revenues	128,220	355,096	483,316
Accrued Interest	1,907,559	0	1,907,559
TOTAL CURRENT LIABILITIES	64,569,920	618,168	65,188,088
Long-Term:			
Bonds Payable Due After One Year	246,186,285	0	246,186,285
Net Pension Liability	445,573,138	3,634,862	449,208,000
Accrued Post Employment Benefits and Compensated Absences	31,758,252	159,437	31,917,689
TOTAL LONG-TERM LIABILITIES	723,517,675	3,794,299	727,311,974
TOTAL LIABILITIES	788,087,595	4,412,467	792,500,062
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Inflows of Resources - Pension Plan	11,940,592	97,408	12,038,000
Deferred Inflows of Resources - OPEB - PSERS	556,309	8,691	565,000
Deferred Inflows of Resources - OPEB	1,888,347	0	1,888,347
TOTAL DEFERRED INFLOWS OF RESOURCES	14,385,248	106,099	14,491,347
<u>NET POSITION (DEFICIT)</u>			
Invested in Capital Assets, Net of Related Debt	189,723,478	99,880	189,823,358
Restricted for: Capital Projects	77,956,252	0	77,956,252
Unrestricted	(364,244,594)	(2,657,074)	(366,901,668)
TOTAL NET POSITION (DEFICIT)	(96,564,864)	(2,557,194)	(99,122,058)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)	\$ 705,907,979	\$ 1,961,372	\$ 707,869,351

The accompanying notes are an integral part of this statement.

LOWER MERION SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2021

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net Revenues (Expenses) and Changes in Net Assets</u>		
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities:							
Instruction	\$ 168,720,929	\$ (432,124)	\$ (24,085,016)	\$ 0	\$ (144,203,789)	\$ 0	\$ (144,203,789)
Instructional Student Support	21,762,367	0	(2,366,429)	0	(19,395,938)	0	(19,395,938)
Administrative and Financial Support Services	18,079,143	0	(2,317,680)	0	(15,761,463)	0	(15,761,463)
Operation and Maintenance of Plant Services	29,220,234	(303,706)	(1,644,644)	0	(27,271,884)	0	(27,271,884)
Pupil Transportation	14,493,452	0	(3,770,484)	0	(10,722,968)	0	(10,722,968)
Student Activities	5,392,822	0	(601,641)	0	(4,791,181)	0	(4,791,181)
Community Services	245,040	0	0	0	(245,040)	0	(245,040)
Interest on Long-Term Debt	6,382,975	0	0	0	(6,382,975)	0	(6,382,975)
Unallocated Depreciation Expense	12,422,197	0	0	0	(12,422,197)	0	(12,422,197)
TOTAL GOVERNMENTAL ACTIVITIES	276,719,159	(735,830)	(34,785,894)	0	(241,197,435)	0	(241,197,435)
Business-Type Activities:							
Food Services	2,052,828	(100,536)	(1,480,460)	0	0	(471,832)	(471,832)
TOTAL PRIMARY GOVERNMENT	<u>\$ 278,771,987</u>	<u>\$ (836,366)</u>	<u>\$ (36,266,354)</u>	<u>\$ 0</u>	<u>(241,197,435)</u>	<u>(471,832)</u>	<u>(241,669,267)</u>
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes, Net					235,719,391	0	235,719,391
Public Utility Realty, Earned Income and Realty							
Transfer Taxes, Levied for General Purposes, Net					5,492,671	0	5,492,671
Grants, Subsidies and Contributions Not Restricted					11,224,622	0	11,224,622
Investment Earnings					156,139	0	156,139
Loss on Disposal of Capital Assets					(405,461)	0	(405,461)
Miscellaneous Income					5,336	0	5,336
TOTAL GENERAL REVENUES					<u>252,192,698</u>	<u>0</u>	<u>252,192,698</u>
CHANGE IN NET POSITION (DEFICIT)					10,995,263	(471,832)	10,523,431
Net Position (Deficit) - July 1, 2020					<u>(107,560,127)</u>	<u>(2,085,362)</u>	<u>(109,645,489)</u>
NET POSITION (DEFICIT) - JUNE 30, 2021					<u>\$ (96,564,864)</u>	<u>\$ (2,557,194)</u>	<u>\$ (99,122,058)</u>

The accompanying notes are an integral part of this statement.

LOWER MERION SCHOOL DISTRICT

Balance Sheet
Governmental Funds
June 30, 2021

<u>ASSETS</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Capital Reserve Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Cash and Cash Equivalents	\$ 20,736,512	\$ 0	\$ 0	\$ 0	\$ 20,736,512
Investments	42,178,995	70,353,918	8,241,872	5,933,601	126,708,386
Taxes Receivable, Net	3,518,799	0	0	0	3,518,799
Due from Other Funds	7,297,113	0	6,065,110	0	13,362,223
Due from Other Governments	13,220,230	0	0	0	13,220,230
Other Receivables	371,123	0	0	0	371,123
Prepaid Expenses	292,407	0	0	0	292,407
TOTAL ASSETS	\$ 87,615,179	\$ 70,353,918	\$ 14,306,982	\$ 5,933,601	\$ 178,209,680
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>					
Liabilities:					
Accounts Payable and Accrued Liabilities	\$ 6,505,670	\$ 5,125,105	\$ 1,579,543	\$ 0	\$ 13,210,318
Due to Other Funds	6,181,625	0	0	0	6,181,625
Payroll Accruals and Withholdings	28,868,823	0	0	0	28,868,823
Unearned Revenues	128,219	0	0	0	128,219
TOTAL LIABILITIES	41,684,337	5,125,105	1,579,543	0	48,388,985
Deferred Inflows of Resources:					
Unavailable Revenue - Property Taxes	2,781,755	0	0	0	2,781,755
Fund Balances:					
Nonspendable	292,407	0	0	0	292,407
Committed	15,300,000	0	0	0	15,300,000
Assigned	21,471,296	65,228,813	12,727,439	5,933,601	105,361,149
Unassigned	6,085,384	0	0	0	6,085,384
TOTAL FUND BALANCES	43,149,087	65,228,813	12,727,439	5,933,601	127,038,940
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 87,615,179	\$ 70,353,918	\$ 14,306,982	\$ 5,933,601	\$ 178,209,680

The accompanying notes are an integral part of this statement.

LOWER MERION SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position (Deficit)
June 30, 2021

Total Fund Balances - Governmental Funds	\$ 127,038,940
--	----------------

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 as assets in governmental funds. The cost of assets is \$609,749,736 and the accumulated depreciation is \$153,384,973.	456,364,763
---	-------------

Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred.	2,781,754
---	-----------

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Bonds Payable	(266,641,285)	
Accrued Interest on the Bonds	(1,907,559)	
Net Pension Liability	(445,573,138)	
Accrued Compensated Absences	(492,989)	
Accrued Other Post-Employment Benefits	(31,265,263)	(745,880,234)

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the fund statements.

Deferred Outflows of Resources - Pension Plan	73,677,641	
Deferred Outflows of Resources - OPEB - PSERS	2,597,436	
Deferred Outflows of Resources - OPEB	1,240,084	
Deferred Inflows of Resources - Pension Plan	(11,940,592)	
Deferred Inflows of Resources - OPEB - PSERS	(556,309)	
Deferred Inflows of Resources - OPEB	(1,888,347)	63,129,913

TOTAL NET POSITION (DEFICIT) - GOVERNMENTAL ACTIVITIES	\$ (96,564,864)
--	-----------------

LOWER MERION SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2021

	General Fund	Capital Projects Fund	Capital Reserve Fund	Debt Service Fund	Total Governmental Funds
Revenues:					
Local Sources:					
Real Estate Taxes	\$ 235,778,845	\$ 0	\$ 0	\$ 0	\$ 235,778,845
Realty Transfer Tax	5,060,729	0	0	0	5,060,729
Earned Income Taxes	208,778	0	0	0	208,778
Earnings from Investments	121,209	24,564	2,644	7,722	156,139
Other Local Revenues	2,471,169	0	0	0	2,471,169
State Sources	41,171,788	0	0	0	41,171,788
Federal Sources	3,331,889	0	0	0	3,331,889
TOTAL REVENUES	288,144,407	24,564	2,644	7,722	288,179,337
Expenditures:					
Instruction	163,784,200	0	0	0	163,784,200
Support Services	82,642,904	273,147	4,039,055	168,887	87,123,993
Non-Instructional Services	5,476,345	0	0	0	5,476,345
Capital Outlay	0	33,073,482	2,174,210	0	35,247,692
Debt Service (Principal and Interest)	29,349,561	0	0	0	29,349,561
TOTAL EXPENDITURES	281,253,010	33,346,629	6,213,265	168,887	320,981,791
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	6,891,397	(33,322,065)	(6,210,621)	(161,165)	(32,802,454)
Other Financing Sources Uses:					
Bond Proceeds	0	50,625,000	0	24,785,000	75,410,000
Bond Premium	0	12,029,213	0	5,491,293	17,520,506
Payment to Bond Refunding Escrow Agent	0	0	0	(30,107,406)	(30,107,406)
Interfund Transfers Out	(5,368,943)	0	0	0	(5,368,943)
Interfund Transfers In	0	0	5,339,454	0	5,339,454
Refunds of Prior Years' Revenues	(1,406,706)	0	0	0	(1,406,706)
TOTAL OTHER FINANCING SOURCES (USES)	(6,775,649)	62,654,213	5,339,454	168,887	61,386,905
NET CHANGE IN FUND BALANCES	115,748	29,332,148	(871,167)	7,722	28,584,451
Fund Balances - July 1, 2020	43,033,339	35,896,665	13,598,606	5,925,879	98,454,489
FUND BALANCES - JUNE 30, 2021	\$ 43,149,087	\$65,228,813	\$ 12,727,439	\$ 5,933,601	\$ 127,038,940

The accompanying notes are an integral part of this statement.

LOWER MERION SCHOOL DISTRICT
Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities
For the Year Ended June 30, 2021

Total Net Change in Fund Balances - Governmental Funds	\$ 28,584,451
--	---------------

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 as depreciation expense. This is the amount by which depreciation expense for the period exceeds capital outlays.

Capital Outlay	\$ 39,546,316	
Depreciation Expense	<u>(12,422,197)</u>	27,124,119

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Bond Proceeds	\$ (45,830,000)	
Principal Payments on Long-Term Liabilities	<u>21,070,000</u>	\$ (24,760,000)

Bond discounts and premiums are reported as revenues or expenditures in the governmental funds when debt is first issued. In the statement of activities, these costs are deferred and amortized. This is the amount amortization exceeds bond discounts and premiums.

(14,539,484)

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues increased by this amount this year.

(59,454)

Governmental funds report District pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

District Pension Contributions	(44,405,436)	
Cost of Benefits Earned Net of Employee Contributions	<u>39,906,789</u>	(4,498,647)

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

Accrued Post-Employment Benefits and Compensated Absences	\$ (740,726)	
Accrued Interest on the Bonds	<u>(114,996)</u>	<u>(855,722)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 10,995,263</u></u>
---	-----------------------------

LOWER MERION SCHOOL DISTRICT

Statement of Net Position (Deficit)

Proprietary Funds

June 30, 2021

	Food Services
<u>ASSETS</u>	
Current:	
Investments	\$ 953,289
Other Receivables	4,686
Due from Other Funds	69,890
Due from Other Governments	179,195
Inventories	80,328
TOTAL CURRENT ASSETS	1,287,388
Non-Current:	
Furniture and Equipment	238,003
Less: Accumulated Depreciation	(138,123)
TOTAL NON-CURRENT ASSETS	99,880
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred Outflows of Resources - Pension Plan	554,058
Deferred Outflows of Resources - OPEB - PSERS	20,046
TOTAL DEFERRED OUTFLOWS OF RESOURCES	574,104
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 1,961,372
<u>LIABILITIES</u>	
Current:	
Accounts Payable and Accrued Liabilities	\$ 40,578
Due to Other Funds	222,494
Unearned Revenues	355,096
TOTAL CURRENT LIABILITIES	618,168
Long-Term:	
Net Pension Liability	3,634,862
Net OPEB-PSERS Liability	159,437
TOTAL LONG-TERM LIABILITIES	3,794,299
TOTAL LIABILITIES	4,412,467
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred Inflows of Resources - Pension Plan	97,408
Deferred Inflows of Resources - OPEB - PSERS	8,691
TOTAL DEFERRED INFLOWS OF RESOURCES	106,099
<u>NET POSITION (DEFICIT)</u>	
Invested in Capital Assets	99,880
Unrestricted (Deficit)	(2,657,074)
TOTAL NET POSITION (DEFICIT)	(2,557,194)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)	\$ 1,961,372

The accompanying notes are an integral part of this statement.

LOWER MERION SCHOOL DISTRICT
Statement of Revenues, Expenses and
Changes in Net Position (Deficit)
Proprietary Funds
For the Year Ended June 30, 2021

		<u>Food Services</u>
Operating Revenues:		
Food Service Revenue		\$ 100,536
Cost of Sales:		
Inventories - July 1, 2020	\$ 157,342	
Purchases of Food, Milk and Donated Commodities	371,654	
COST OF GOODS AVAILABLE FOR SALE	<u>528,996</u>	
Less: Inventories - June 30, 2021	<u>80,328</u>	
TOTAL COST OF SALES		<u>448,668</u>
GROSS LOSS		(348,132)
Operating Expenses:		
Payroll	960,703	
Employee Benefits	540,049	
Depreciation	14,955	
Other Operating Expenses	88,453	
TOTAL OPERATING EXPENSES	<u>1,604,160</u>	
OPERATING LOSS		(1,952,292)
Non-Operating Revenues:		
Earnings on Investments	702	
Federal Subsidies	1,281,891	
State Subsidies	197,867	
TOTAL NON-OPERATING REVENUES	<u>1,480,460</u>	
DECREASE IN NET POSITION		(471,832)
Net Position (Deficit) - July 1, 2020		<u>(2,085,362)</u>
NET POSITION (DEFICIT) - JUNE 30, 2021		<u><u>\$ (2,557,194)</u></u>

The accompanying notes are an integral part of this statement.

LOWER MERION SCHOOL DISTRICT

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2021

	<u>Food Services</u>
Cash Flows From Operating Activities:	
Cash Received from Users	\$ (225,113)
Cash Payments to Employees for Services	(1,733,637)
Cash Payments to Suppliers for Goods and Services	(467,940)
NET CASH USED BY OPERATING ACTIVITIES	<u>(2,426,690)</u>
Cash Flows From Non-Capital Financing Activities:	
State Sources	201,834
Federal Sources	1,229,046
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>1,430,880</u>
Cash Flows From Capital and Related Financing Activities:	
Acquisition of Fixed Assets	<u>(4,178)</u>
Cash Flows From Investing Activities:	
Purchase of Investments/Deposits to Investment Pools	<u>999,988</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	0
Cash and Cash Equivalents - July 1, 2020	<u>0</u>
CASH AND CASH EQUIVALENTS - JUNE 30, 2021	<u><u>\$ 0</u></u>

Reconciliation of Operating Loss to Net Cash Used by Operating Activities:

Operating Loss	\$ (1,952,292)
Adjustments to Reconcile Operating Loss to Net Cash	
Used by Operating Activities:	
Depreciation	14,955
Changes in Assets and Liabilities:	
Receivables	30,271
Inventories	77,014
Deferred Outflows of Resources	(79,574)
Accounts Payable and Accrued Liabilities	(376,501)
Deferred Inflows of Resources	(56,807)
Net Pension Liability	(86,743)
Net OPEB - PSERS Liability	(9,761)
Unearned Revenues	12,748
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (2,426,690)</u></u>

The accompanying notes are an integral part of this statement.

LOWER MERION SCHOOL DISTRICT
Statement of Fiduciary Net Position
June 30, 2021

<u>ASSETS</u>	Employee Trust	Private- Purpose Trusts	Agency Funds
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 382,276
Investments	410,365	129,839	14,025,213
Due from Other Funds	0	0	31,338
TOTAL ASSETS	\$ 410,365	\$ 129,839	\$ 14,438,827
 <u>LIABILITIES</u>			
Payroll Withholdings	\$ 0	\$ 0	6,968,529
Due to Other Funds	0	0	7,059,332
Due to Student Groups	0	0	410,966
TOTAL LIABILITIES	\$ 0	\$ 0	\$ 14,438,827
 <u>NET POSITION</u>			
Reserved for Scholarships	\$ 0	\$ 129,839	
Reserved for Employee Benefits	410,365	0	
TOTAL LIABILITIES AND NET POSITION	\$ 410,365	\$ 129,839	

The accompanying notes are an integral part of this statement.

LOWER MERION SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2021

	<u>Employee Trust</u>	<u>Private- Purpose Trusts</u>
Additions:		
Investment Income:		
Earnings from Investments	<u>\$ 107</u>	<u>\$ 11</u>
TOTAL ADDITIONS	<u>107</u>	<u>11</u>
Deductions:		
Benefits Paid	86,773	1,000
Investment Management Fees	<u>1,422</u>	<u>0</u>
TOTAL DEDUCTIONS	<u>88,195</u>	<u>1,000</u>
CHANGE IN NET POSITION	(88,088)	(989)
Net Position - July 1, 2020	<u>498,453</u>	<u>130,828</u>
NET POSITION - JUNE 30, 2021	<u><u>\$ 410,365</u></u>	<u><u>\$ 129,839</u></u>

The accompanying notes are an integral part of this statement.

LOWER MERION SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 1 - Summary of Significant Accounting Policies

Lower Merion School District's (the District's) financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the District has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the District has chosen not to do so. The more significant accounting policies established in GAAP and used by the District are discussed below.

A. Reporting Entity

The District is governed by an elected Board of Directors. Accounting principles generally accepted in the United States of America require that the financial statements present the District and its component units, entities for which the District is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the District's operations and so data from these units are required to be combined with data of the primary District. Each discretely presented component unit, on the other hand, is required to be reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the District. Based on the application of these principles, there are no component units presented in the District's financial statements.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

LOWER MERION SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2021

NOTE 1 - Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only a portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major government funds:

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

Capital Projects Fund - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital assets other than those financed by enterprise operations.

Capital Reserve Fund - The Capital Reserve Fund is used to account for proceeds of specific revenue sources that are legally restricted to expenditures for future capital projects.

The District reports the following major proprietary funds:

Food Service Fund - The Food Service Fund (an Enterprise Fund) is used to account for the operations of the District's school cafeterias that are financed and operated in a manner similar to a private business enterprise where the intent of the governing body is that the cost of providing goods or services to the school population on a continuing basis will be recovered or financed primarily through user charges.

Additionally, the District reports the following fund types:

Fiduciary Funds - Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, or other governments. These include private-purpose trust funds and agency funds. Private-purpose trust funds account for resources, including both principal and earnings, which must be expended in accordance with a trust agreement, and are accounted for in essentially the same manner as proprietary funds. Agency funds are purely custodial and thus do not involve measurement of the results of operations.

LOWER MERION SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2021

NOTE 1 - Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. School districts also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Food Service Enterprise Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

For purposes of the statements of cash flows of proprietary funds, cash equivalents include all highly liquid debt instruments with original maturities of three months or less.

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

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity

Deposits and Investments

Under Section 440.1 of the Public School Code of 1949, as amended, the District is permitted to invest funds consistent with sound business practices in the following types of investments:

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

Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral as provided by law therefore shall be pledged by the depository.

LOWER MERION SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2021

NOTE 1 - Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

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/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of any allowance for uncollectibles. There is no property tax receivable allowance at June 30, 2021.

Property taxes attach as an enforceable lien on property as of July 1. Taxes are levied on July 1 and payable in the following periods:

Discount Period - July 1 to August 31 - 2% of Gross Levy
Flat Period - September 1 to October 31
Penalty Period - October 31 to Collection - 10% of Gross Levy

Inventories

Inventories in the Food Service Fund consist of government donated commodities which were valued at estimated fair market value at donation, and purchased commodities and supplies, both valued at cost using the first-in first-out (FIFO) method.

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. Capital assets are defined by the District as assets with an initial, individual cost of more than \$10,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

Property, plant, and equipment is depreciated using the straight-line method over the following estimated useful lives:

Land Improvements	20 Years
Buildings	25-50 Years
Furniture and Equipment	5-20 Years
Transportation	10-25 Years

LOWER MERION SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2021

NOTE 1 - Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

Deferred Outflows of Resources

The District reports decreases in net assets that relate to future periods as deferred outflows of resources in the government-wide and proprietary funds statement of net position. The District reports deferred outflow of resources related to the deferred amount related to the accumulated decrease in the fair value of hedging derivatives. The District also reports deferred outflows of resources for contributions made to the District's defined benefit pension plans and other post employment benefit plans between the measurement date of the net pension and OPEB liabilities from those plans and the end of the District's fiscal year. No deferred outflows of resources affect the governmental funds financial statements in the current fiscal year.

Deferred Inflows of Resources

The District's statements of net position and its governmental funds report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net assets that applies to a future period(s). Deferred inflows of resources are reported in the District's various statements of net position for actual pension plan investment earnings in excess of the expected amounts included in determining pension expense. In its governmental funds, the only deferred inflow of resources is for revenues that are not considered available. The District will not recognize the related revenues until they are available (collected no later than 60 days after the end of District's fiscal year) under the modified accrual basis of accounting. Accordingly, unavailable revenues from property taxes are reported in the governmental funds balance sheet.

Compensated Absences

The District's vacation policy provides that administrative employees may carry over vacation time with the approval of the Superintendent. Employees accrue vacation at rates which vary with length of service or job classification. Vacation must be taken in the year subsequent to when it was earned. If separation of service occurs in the year subsequent to earning, then the unused balance of what was earned in the prior year is paid at separation. The liability at June 30 represents vacation earned at that date that will be taken in the subsequent year.

Accrued Severance Pay

Employees that have completed at least ten years of credited School District service that retire under the normal PSERS guidelines shall be eligible for a severance benefit. The benefit the personnel can receive ranges from \$50 up to \$150 for each day of unused sick leave and is available to pay for medical, dental, vision, life insurance, prescriptions, and long-term care insurance. Severance pay is generally liquidated by the General Fund.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year incurred in both the government-wide and fund financial statements.

LOWER MERION SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2021

NOTE 1 - Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

Long-Term Obligations (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Bond issuance costs are expensed in the year they are incurred in both the government-wide and fund financial statements.

Government-Wide and Proprietary Fund Net Position

Government-wide and proprietary fund net position are divided into three components:

Invested in Capital Assets, Net of Related Debt - Consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.

Restricted for: Capital Projects - Consists of the capital projects fund fund-balance that is restricted by the District for capital outlays.

Unrestricted - Consists of all other net position reported in this category.

Governmental Fund Balances

The District has adopted GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions as of July 1, 2010. The intention of the statement is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the District's financial statements. The statement establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

In the governmental fund financial statements, fund balances are classified as follows:

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

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

Committed - Amounts that can be used only for specific purposes determined by a formal action by the Board of Directors resolution. This includes the budget reserve account. In addition, committed amounts cannot be uncommitted except by removing the constraints through the same type of action.

Assigned - Amounts the District intends to use for a specific purpose. Intent can be expressed by the Board of Directors or by an official or body to which the Board of Directors delegates the authority.

Unassigned - Amounts available for any purpose. Positive amounts are reported only in the General Fund.

LOWER MERION SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 1 - Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

Governmental Fund Balances (Continued)

The Board of Directors establishes (and modifies and rescinds) fund balance commitments by passage of a resolution. The District's policy is to first apply an expenditure toward restricted fund balances followed by committed fund balances and then to assigned fund balances before using unassigned fund balances.

NOTE 2 - Budgetary Information

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. An annual appropriated budget is adopted for the general fund. All annual appropriations lapse at fiscal year end. Project-length financial plans are adopted for all capital projects funds.

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

1. The Business Manager submits to the School Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the District offices to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of an ordinance.
4. The Business Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund.
6. Budgeted amounts are as originally adopted, or as amended by the School Board.

NOTE 3 - Deposits and Investments

Deposits - At year end, the total carrying amount of the District's checking, savings, and certificates of deposit (including trust and agency funds) was \$21,118,788, and the corresponding bank balance was \$21,118,788.

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk. Of the bank balance, \$750,000 was covered by federal depository insurance. The remaining balances were uninsured and covered by collateral held by the institution's trust department on a pooled basis not in the name of the District.

Investments - Statutes authorize the District to invest in U.S. Government Agency Bonds, time or share accounts, or institutions insured by the Federal Deposit Insurance Corporation or Federal Savings and Loan Insurance Corporation or in certificates of deposit when they are secured by proper bond or collateral, repurchase agreements, state treasurer's investment pools, or mutual funds.

LOWER MERION SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 3 - Deposits and Investments (Continued)

All funds in the Pennsylvania School District Liquid Asset Fund, Pennsylvania Local Government Investment Trust, and Pennsylvania Treasurer's Investment Program are invested in accordance with Section 440.1 of the School Code. These funds operate and are authorized under the Intergovernmental Cooperation Act of 1972. Each school district owns a prorata share of each investment or deposit which is held in the name of the Fund. Certificates of deposit or other fixed-term investments purchased by the District through the Fund's administrator are purchased in the name of the District.

Custodial Credit Risk - Investments - 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 its investments or collateral security that are in the possession of an outside party. The District has no investment subject to custodial credit risk.

Interest Rate Risk - The District has no formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - The District has no investment policy that would limit its investment choices to certain credit ratings. The Pennsylvania School District Liquid Asset Fund, Pennsylvania Local Government Investment Trust, and the Pennsylvania Treasurer's Investment Program have AAA Standard & Poor's credit ratings.

Concentration of Credit Risk - The District investment policy states that unless covered by the federal deposit insurance, district investments in authorized instruments that are not backed by the "full faith and credit" of the federal or state government shall be limited to those with the highest credit rating available for such investments issued by a recognized organization (i.e. Moody's, Standard and Poor's, etc.). when District funds are invested in any one (1) issuer other than designated depository accounts, the amount of the investment shall be unlimited, but the Board shall be notified of the investment.

	<u>Credit Rating</u>	<u>Fair Value</u>
<u>Pooled Investments:</u>		
Pennsylvania School District Liquid Asset Fund:		
General Fund Accounts	AAA	\$ 31,174,733
Capital Reserve Fund Account	AAA	194,149
Food Service Fund Account	AAA	44,530
Debt Service Fund	AAA	5,933,601
Trust and Agency Account	AAA	14,155,052
TOTAL		<u>51,502,065</u>
Pennsylvania Local Government Investment Trust:		
General Fund Accounts	AAA	9,941,591
Capital Projects Fund Account	AAA	70,353,918
Capital Reserve Fund Account	AAA	8,047,418
Food Service Fund Account	AAA	908,759
Trust and Agency Account	AAA	410,365
TOTAL		<u>89,662,051</u>
Pennsylvania Treasurer's Investment Program:		
General Fund Accounts	AAA	1,062,671
Capital Reserve Fund Account	AAA	305
TOTAL		<u>1,062,976</u>
TOTAL POOLED INVESTMENT		<u>\$ 142,227,092</u>

LOWER MERION SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2021

NOTE 4 - Taxes Receivable

Taxes receivable as of year end for the District's individual major funds and nonmajor fiduciary funds in the aggregate are as follows:

	<u>General</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Real Estate Taxes	\$ 2,985,271	\$ 0	\$ 2,985,271
Local Services Taxes	44,351	0	44,351
Transfer Taxes	489,177	0	489,177
	<u> </u>	<u> </u>	<u> </u>
NET TAXES RECEIVABLE	<u>\$ 3,518,799</u>	<u>\$ 0</u>	<u>\$ 3,518,799</u>

At the end of the current fiscal year, the District reported deferred inflows of resources, related to unavailable real estate and earned income tax revenue, in the amount of \$2,909,974 in the governmental funds.

NOTE 5 - Interfund Receivables, Payables, and Transfers

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 7,297,113	\$ 6,181,625
Capital Reserve Fund	6,065,110	0
Agency Fund	31,338	7,059,332
Food Service Fund	69,890	222,494
	<u> </u>	<u> </u>
	<u>\$ 13,463,451</u>	<u>\$ 13,463,451</u>
	<u>Transfer to Other Funds</u>	<u>Transfer From Other Funds</u>
General Fund	\$ 5,368,943	\$ 0
Capital Reserve	0	5,339,454
Student Activities Fund (Agency Fund)	0	29,489
	<u> </u>	<u> </u>
	<u>\$ 5,368,943</u>	<u>\$ 5,368,943</u>

The general fund makes interfund transfers to the capital reserve fund to provide funds for future capital outlay, to the debt service fund for future debt service, and to the student activities fund to provide funds for student extra-curricular activities.

LOWER MERION SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 6 - Capital Assets

Capital asset activity for the year ended June 30, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital Assets:				
Land	\$ 44,856,966	\$ 0	\$ 0	\$ 44,856,966
Land Improvements	6,511,070	994,823	0	7,505,893
Buildings	485,590,824	3,162,827	0	488,753,651
Construction in Progress	10,024,090	33,978,549	(723,129)	43,279,510
Furniture and Equipment	7,361,837	187,389	(71,959)	7,477,267
Transportation	16,432,183	2,351,317	(907,051)	17,876,449
TOTAL CAPITAL ASSETS	<u>570,776,970</u>	<u>40,674,905</u>	<u>(1,702,139)</u>	<u>609,749,736</u>
Accumulated Depreciation for:				
Land Improvements	2,666,490	307,992	0	2,974,482
Buildings	126,380,143	10,089,790	0	136,469,933
Furniture and Equipment	5,963,261	458,482	(63,940)	6,357,803
Transportation	6,526,432	1,565,933	(509,610)	7,582,755
TOTAL ACCUMULATED DEPRECIATION	<u>141,536,326</u>	<u>12,422,197</u>	<u>(573,550)</u>	<u>153,384,973</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$429,240,644</u>	<u>\$ 28,252,708</u>	<u>\$ (1,128,589)</u>	<u>\$ 456,364,763</u>
<u>Business-Type Activities:</u>				
Capital Assets:				
Machinery and Equipment	\$ 233,825	\$ 4,178	\$ 0	\$ 238,003
Accumulated Depreciation for:				
Machinery and Equipment	<u>123,168</u>	<u>14,955</u>	<u>0</u>	<u>138,123</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 110,657</u>	<u>\$ (10,777)</u>	<u>\$ 0</u>	<u>\$ 99,880</u>

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

Governmental Activities - Unallocated	\$12,422,197
Business-Type Activities	<u>14,955</u>
TOTAL	<u>\$12,437,152</u>

LOWER MERION SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 7 - Bonds Payable

	Principal Outstanding July 1, 2020	Maturities	Additions (Refinancing)	Principal Outstanding June 30, 2021
General Obligation Note Series of 1989	\$ 9,600,000	\$ 2,300,000	\$ 0	\$ 7,300,000
General Obligation Bonds, Series A & B of 2009	49,475,000	6,110,000	0	43,365,000
General Obligation Bonds, Series A of 2012	32,665,000	3,085,000	(29,580,000)	0
General Obligation Bonds, Series A of 2015	8,090,000	435,000	0	7,655,000
General Obligation Bonds, Series B of 2015	26,255,000	3,015,000	0	23,240,000
General Obligation Bonds, Series of 2016	46,895,000	6,115,000	0	40,780,000
General Obligation Bonds, Series of 2019	24,470,000	5,000	0	24,465,000
General Obligation Bonds, Series A of 2019	18,950,000	5,000	0	18,945,000
General Obligation Bonds, Series of 2020	0	0	50,625,000	50,625,000
General Obligation Bonds, Series of 2021	0	0	24,785,000	24,785,000
TOTAL	216,400,000	21,070,000	45,830,000	241,160,000
Less: Deferred Amounts:				
Issuance Premium (Discounts)	15,548,644	(4,081,940)	17,561,896	29,028,600
Refunding Deferred Charge	(4,606,843)	1,586,934	(527,406)	(3,547,315)
LONG-TERM DEBT	\$227,341,801	\$23,565,006	\$62,864,490	\$266,641,285

LOWER MERION SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2021

NOTE 7 - Bonds Payable (Continued)

	<u>Current Outstanding Principal</u>
General Obligation Note, Series of 1989. Original principal amount of \$30,000,000, maturing August 1, 2023. The note was advanced by Emmaus General Authority under the Bond Pool Program. Interest is charged at a variable rate equal to the Weekly Rate of the underlying bonds plus .35%. The rate at June 30, 2021 was 1.06%.	\$ 7,300,000
General Obligation Bonds, Series A & B of 2009. Original principal amount of \$102,350,000, maturing April 1, 2027, bearing interest at a variable rate equal to the Weekly Rate of the underlying bonds. The rate at June 30, 2021 was 1.11%.	43,365,000
General Obligation Bonds, Series A of 2015. Original principal amount of \$9,700,000, maturing September 1, 2034, bearing interest from 3.00% to 3.125% Interest is paid semi-annually on March 1 and September 1.	7,655,000
General Obligation Bonds, Series B of 2015. Original principal amount of \$31,880,000, maturing September 1, 2028, bearing interest from 2.00% to 5.00%. Interest is paid semi-annually on March 1 and September 1.	23,240,000
General Obligation Bonds, Series 2016. Original principal amount of \$55,665,000, maturing September 15, 2032, bearing interest from 2.00% to 5.00%. Interest is paid semi-annually on March 15 and September 15.	40,780,000
General Obligation Bonds, Series of 2019. Original principal amount of \$24,470,000, maturing November 15, 2031, bearing interest from 4.00% to 5.00%. Interest is paid semi-annually on May 15 and November 15.	24,465,000
General Obligation Bonds, Series A of 2019. Original principal amount of \$18,950,000, maturing November 15, 2025, bearing interest from 1.50% to 3.00%. Interest is paid semi-annually on May 15 and November 15.	18,945,000
General Obligation Bonds, Series of 2020. Original principal amount of \$50,625,000, maturing November 15, 2031, bearing interest from 4.00% to 5.00%. Interest is paid semi-annually on May 15 and November 15.	50,625,000
General Obligation Bonds, Series of 2021. Original principal amount of \$24,785,000, maturing November 15, 2028, bearing interest of 5.00% Interest is paid semi-annually on May 15 and November 15.	<u>24,785,000</u>
TOTAL	<u><u>\$ 241,160,000</u></u>

LOWER MERION SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2021

NOTE 7 - Bonds Payable (Continued)

The annual requirements to amortize all debts outstanding as of June 30, 2021, are as follows:

<u>Year Ended</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2022	\$ 9,273,005	\$ 20,455,000	\$ 29,729,835
2023	8,433,725	22,260,000	30,693,725
2024	7,457,385	24,275,000	31,732,385
2025	6,589,535	23,405,000	29,994,535
2026	5,671,773	24,235,000	29,906,773
2027-2031	14,233,313	99,365,000	113,598,313
2032-2035	751,778	27,165,000	27,916,778
TOTAL MATURITIES	\$ 52,410,514	\$241,160,000	\$ 293,570,514

NOTE 8 - Accrued Post-Employment Benefits and Compensated Absences

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2021</u>
Accrued Compensated Absences	\$ 796,365	\$ 306,505	\$ 609,881	\$ 492,989
Accrued Other Post-Employment Benefits	30,390,359	1,034,341	0	31,424,700
TOTAL	\$ 31,186,724	\$ 1,340,846	\$ 609,881	\$ 31,917,689

NOTE 9 - Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

The District is currently in litigation with former employees of the District regarding wrongful discharge from employment, with taxpayers contesting real estate assessments, and with parents of students regarding educational and disciplinary issues. The amount, if any, of awards or settlements cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

LOWER MERION SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 9 - Contingent Liabilities (Continued)

On February 1, 2016, a putative class action suit was filed by certain plaintiffs against the District, as defendant, in the Montgomery County Court of Common Pleas, Case No. 2016-01839. The Complaint makes numerous allegations of the District misrepresentations relating to budgets, curriculum, construction projects, and tax increases. The Complaint also seeks the suspension of the authority of the Board of School Directors of the District to act for the District and the appointment of a trustee to undertake their responsibilities. Finally, the Complaint seeks damages in the amount of the District's entire general fund balance. The District is vigorously defending the action. The District has also put its insurance carriers on notice to the extent that any claims are covered by insurance. However, the plaintiffs did file a petition for a preliminary Injunction seeking to enjoin the 2016 tax increase of 4.44% imposed by the School Board on June 13 2016. On August 29, 2016, the Court of Common Pleas of Montgomery County enjoined the District from "enforcing or collecting a tax increase for fiscal year 2016-17 of over 2.4% more than was in effect for the prior fiscal year." Until October 2020, that decision was on appeal to the Pennsylvania Supreme Court. Since the appeal stayed the injunction, the District did enforce and collect the disputed 4.44% tax increase. The stay is no longer in effect and the matter has been remanded to the Court of Common Pleas. The District has, pending the resolution of the appeal of the Montgomery County Court of Common Pleas Order of August 29, 2016 and any proceedings on remand or otherwise in relation to the August 29, 2016 Order, segregated the proceeds of the disputed tax increase of 2.04% in a separate PSDLAF account. Additionally, the District will segregate any proceeds it receives from the recently imposed 2020-21 tax millage which are attributable to the disputed tax increase of 2.04% from the 2016-17 tax increase. The monies in this PSDLAF account may not be released by the administration without further action taken by the Board at a public meeting.

NOTE 10 - Employee Retirement Systems and Pension Plans

Pensions

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

Plan description

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

LOWER MERION SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2021

NOTE 10 - Employee Retirement Systems and Pension Plans (Continued)

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. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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

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

Member Contributions

1. Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.
2. Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.
3. Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.
4. Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

LOWER MERION SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2021

NOTE 10 - Employee Retirement Systems and Pension Plans (Continued)

Employer Contributions

The school districts' contractually required contribution rate for fiscal year ended June 30, 2021 was 33.30% 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 pension plan from the District were \$44,720,699 for the year ended June 30, 2021.

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

At June 30, 2021, the District reported a liability of \$449,208,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2019 to June 30, 2020. The 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, 2021, the District's proportion was .9123%, which was an increase of .0089% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2021, the District recognized pension expense of \$44,405,436. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Difference between expected and actual experience	\$ 1,175,000	\$ 10,766,000
Changes in assumptions	0	0
Net difference between projected and actual investment		
Earnings	19,743,000	0
Changes in proportions	8,593,000	1,272,000
Difference between employer contributions and proportionate share of total contributions	0	0
Contributions subsequent to the measurement date	44,720,699	0
	<u>\$ 74,231,699</u>	<u>\$ 12,038,000</u>

LOWER MERION SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2021

NOTE 10 - Employee Retirement Systems and Pension Plans (Continued)

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date of \$44,720,699 will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

Year ended June 30:

2021	\$ 300,000
2022	4,401,000
2023	6,906,000
2024	5,866,000
Total	<u>\$ 17,473,000</u>

Actuarial Assumptions

The total pension liability as of June 30, 2021 was determined by rolling forward the System's total pension liability as of June 30, 2020 to June 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement:

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

The long-term expected rate of return on pension 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 pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The pension 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.

LOWER MERION SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2021

NOTE 10 - Employee Retirement Systems and Pension Plans (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	15.0%	5.2%
Private equity	15.0%	7.2%
Fixed income	36.0%	1.1%
Commodities	8.0%	1.8%
Absolute return	10.0%	2.5%
Infrastructure/MLPs	6.0%	5.7%
Real estate	10.0%	5.5%
Risk parity	8.0%	3.3%
Cash	6.0%	(1.0%)
Financing (LIBOR)	(14.0%)	(0.7%)
	<u>100%</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, 2021.

Discount rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the 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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate

The following presents the net pension liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

	<u>1% Decrease 6.25%</u>	<u>Current Discount Rate 7.25%</u>	<u>1% Increase 8.25%</u>
District's proportionate share of the net pension liability	\$555,765,000	\$449,208,000	\$358,939,000

Pension plan fiduciary net position

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

LOWER MERION SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 11 - Other Post-Employment Benefits

The District provides post-retirement health care benefits (medical, dental, prescription, vision) to its administrative personnel who retire under normal PSERS guidelines or elect early retirement at age 55 with 25 years of service. The District contributes toward the cost of single health coverage, and the amount of the contribution is based upon the employee's years of service. The District's contribution rate ranges from 50% for employees with 5 years of service to 100% for employees with 15 or more years of service. The lifetime maximum that the District will pay for a retiree's coverage shall not exceed the employee's highest annual salary while working at the District.

The health insurance plan is a single employer, defined benefit OPEB plan. The medical and prescription drug benefits are administered through Independence Blue Cross. Dental and Vision benefits are administered through Delta Dental and Davis Vision, respectively. Separate financial statements are not issued for the plan. The term life insurance is purchased from PSBA (Pennsylvania School Board Association) Insurance Trust.

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 Plan Membership

Membership in the OPEB plan consisted of the following at July 1, 2020:

Active Participants	1,555
Vested Former Participants	5
Retired Participants	682
	<hr/>
	2,242
	<hr/>

Actuarial Methods and Assumptions

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of the valuation and on the pattern of sharing of costs between the employer and plan members to that point. Calculations reflect a long-term perspective, so methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. In the July 1, 2019 actuarial valuation, the following actuarial assumptions were used:

Discount Rate	1.86%
Actuarial Cost Method	Entry Age Normal
Salary Increases	An assumption for salary increases is used only for spreading contributions over future pay under the entry age normal cost method. For this purpose, salary increases are composed of a 2.5% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75 to 0%

LOWER MERION SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 11 - Other Post-Employment Benefits (Continued)

Annual OPEB Cost and NET OPEB Liability:

The District's annual other Post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities over a period not to exceed 13 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan and the changes in the District's OPEB liability.

Net OPEB Liability:

Balance as of July 1, 2020	\$ 11,176,360
Service Cost	712,373
Interest Expense	389,984
Difference between Expected and Actual Experience	(772,783)
Changes in Assumptions	736,435
Estimated Contributions	<u>(520,669)</u>

NET OPEB LIABILITY AS OF JUNE 30, 2021	<u><u>\$ 11,721,700</u></u>
--	-----------------------------

For the year ended June 30, 2021, the District recognized OPEB expense of \$864,693. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to net OPEB liability from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Difference between expected and actual experience	\$ 0	\$ 1,592,832
Changes in assumptions	644,381	295,515
Benefit payments subsequent to the measurement date	<u>595,703</u>	<u>0</u>
	<u><u>\$ 1,240,084</u></u>	<u><u>\$ 1,888,347</u></u>

The deferred outflows of resources related to the OPEB liability resulting from District contributions subsequent to the measurement date of \$595,703 will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

Year ended June 30:

2022	\$ (237,664)
2023	(237,664)
2024	(237,664)
2025	(237,665)
2026	(237,486)
Thereafter	<u>(55,823)</u>
Total	<u><u>\$ (1,243,966)</u></u>

LOWER MERION SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 11 - Other Post-Employment Benefits (Continued)

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate

The following presents the net OPEB liability, calculated using the discount rate of 1.86%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (0.86%) or 1-percentage point higher (2.86%) than the current rate:

	1% Decrease 0.86%	Current Discount Rate 1.86%	1% Increase 2.86%
Net OPEB Liability	\$ 12,968,854	\$ 11,721,700	\$ 10,661,782

Sensitivity of the District's proportionate share of the net pension liability to changes in the healthcare cost trend rates

The following presents the net OPEB liability, calculated using the healthcare cost trend rate of 5.5%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (4.5%) or 1-percentage point higher (6.5%) than the current rate:

	1% Decrease 4.5%	Current Rate 5.5%	1% Increase 6.5%
Net OPEB Liability	\$10,932,499	\$11,721,700	\$12,636,891

NOTE 12 - Other Post-Employment Benefits (PSERS)

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 provision 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, 2017 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

LOWER MERION SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 12 - Other Post-Employment Benefits (PSERS) (Continued)

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, 2021, 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, 2021 was 0.82% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$1,088,482 for the year ended June 30, 2021.

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

At June 30, 2021, the District reported a liability of \$19,703,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, 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, 2019 to June 30, 2020. The District's proportion of the net OPEB liability was calculated utilizing the employer's one year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the District's proportion was .9119%, which was an increase of .0085% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the District recognized OPEB expense of \$1,074,000. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Difference between expected and actual experience	\$ 108,000	\$ 0
Changes in assumptions	803,000	432,000
Net difference between projected and actual investment		
Earnings	34,000	0
Changes in proportions	511,000	133,000
Difference between employer contributions and proportionate share of total contributions	0	0
Contributions subsequent to the measurement date	1,088,482	0
	<u>\$ 2,617,482</u>	<u>\$ 565,000</u>

LOWER MERION SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2021

NOTE 12 - Other Post-Employment Benefits (PSERS) (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (PSERS) (Continued)

The deferred outflows of resources related to OPEB - PSERS resulting from District contributions subsequent to the measurement date of \$1,088,482 will be recognized as a reduction of the net OPEB - PSERS liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB - PSERS pensions will be recognized in the OPEB - PSERS expense as follows:

Year ended June 30:

2021	\$ 138,000
2022	133,000
2023	128,000
2024	259,000
2025	219,000
Thereafter	87,000
Total	<u>\$ 964,000</u>

Actuarial Assumptions

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

- Actuarial cost method - entry age normal - level % of pay
- Investment return - 2.66% - Standard & Poor's 20 year municipal bond rate
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases
- Premium assistance reimbursement is capped at \$1,200 per year
- Assumed healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year
- Mortality rates were based on the RP-2014 mortality tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 mortality improvement scale

Participation rate:

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

LOWER MERION SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2021

NOTE 12 - Other Post-Employment Benefits (PSERS) (Continued)

Actuarial Assumptions (Continued)

The following assumptions were used to determine the contribution rate:

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

Investments consist primarily of short term assets designed to protect the principal of the 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>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	50.3%	(1.0%)
US Core Fixed Income	46.5%	(0.1%)
Non-US Developed Fixed	3.2%	(0.1%)
	<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, 2020.

Discount Rate

The discount rate used to measure the OPEB liability was 2.66%. 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 2.66% which represents the Standard & Poor's 20 year municipal bond rate at June 30, 2020, was applied to all projected benefit payments to measure the total OPEB liability.

LOWER MERION SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2021

NOTE 12 - Other Post-Employment Benefits (PSERS) (Continued)

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

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Net OPEB Liability - PSERS	\$ 19,701,000	\$ 19,703,000	\$ 19,705,000

Sensitivity of the District's proportionate share of the net OPEB - PSERS liability to changes in the discount rate

The following presents the net OPEB liability, calculated using the healthcare cost trend rate of 2.79%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.79%) or 1-percentage point higher (3.79%) than the current rate:

	<u>1% Decrease 1.98%</u>	<u>Current Rate 2.98%</u>	<u>1% Increase 3.98%</u>
Net OPEB Liability - PSERS	\$ 22,465,000	\$ 19,703,000	\$ 17,417,000

OPEB - PSERS plan fiduciary net position

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

LOWER MERION SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2021

NOTE 13 - Deficit Net Position

A deficit of \$99,122,058 exists in the District-wide net position as of June 30, 2021 (the net pension deficit for governmental activities as of June 30, 2021 is \$96,564,864 and the net position deficit for business-type activities as of June 30, 2021 is \$2,557,194). The deficit is a result of the District's adoption of Government Accounting Standards Board Statement No. 68 *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*, as well as Government Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

NOTE 14 - Fund Balances - General Fund

Nonspendable:		
Prepaid Expenses		\$ 292,407
Committed:		
Future PSERS Obligations	10,300,000	
Future Postemployment Healthcare Benefits	<u>5,000,000</u>	15,300,000
Assigned		21,471,296
Unassigned		<u>6,085,384</u>
TOTAL		<u><u>\$ 43,149,087</u></u>

NOTE 15 - Subsequent Events

The District has evaluated subsequent events through January 12, 2022, which represents the date the financial statements were available to be issued.

On March 11, 2021, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. As a result, economic uncertainties have arisen which are likely to negatively impact operating activity. Other financial impact could occur though such potential impact is unknown at this time.

LOWER MERION SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2021

	Original Budget	Amended Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues:				
Local Revenues	\$ 240,434,196	\$ 240,434,196	\$ 243,640,730	\$ 3,206,534
State Program Revenues	41,360,144	41,360,144	41,171,788	(188,356)
Federal Program Revenues	1,542,000	1,542,000	3,331,889	1,789,889
TOTAL REVENUES	283,336,340	283,336,340	288,144,407	4,808,067
Expenditures:				
Regular Programs	113,878,090	113,709,090	113,709,053	37
Special Programs	50,060,512	48,746,112	48,746,050	62
Vocational Programs	425,000	504,000	503,963	37
Other Instructional Programs	1,298,280	825,262	825,134	128
Pupil Personnel Services	11,006,007	10,744,707	10,744,705	2
Instructional Staff Services	7,294,810	6,538,035	6,538,035	0
Administrative Services	15,194,632	16,241,632	16,241,486	146
Pupil Health	4,665,499	4,097,799	4,097,793	6
Business Services	1,545,092	1,403,892	1,403,795	97
Operation and Maintenance of Plant Services	20,860,267	21,292,467	21,292,271	196
Student Transportation Services	16,810,262	14,069,062	14,069,021	41
Central and Other Support Services	8,971,479	8,255,879	8,255,798	81
Student Activities	5,921,192	5,231,342	5,231,305	37
Community Services	254,200	245,100	245,040	60
Debt Service	28,982,373	29,349,573	29,349,561	12
TOTAL EXPENDITURES	287,167,695	281,253,952	281,253,010	942
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,831,355)	2,082,388	6,891,397	4,809,009
Other Financing Uses:				
Budgetary Reserve	(800,000)	0	0	0
Interfund Transfers Out	(62,000)	(5,368,943)	(5,368,943)	0
Refunds of Prior Years' Revenues	0	(1,406,800)	(1,406,706)	94
TOTAL OTHER FINANCING USES	(862,000)	(6,775,743)	(6,775,649)	94
NET CHANGE IN FUND BALANCES	\$ (4,693,355)	\$ (4,693,355)	115,748	\$ 4,809,103
Fund Balance - July 1, 2020			43,033,339	
FUND BALANCE - JUNE 30, 2021			\$ 43,149,087	

LOWER MERION SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2021

<u>Year Ended</u>	<u>District's Proportion of the Net Pension Liability (Asset)</u>	<u>District's Proportionate Share of the Net Pension Liability (Asset)</u>	<u>District's Covered Payroll</u>	<u>Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
June 30, 2014	0.8504%	\$ 336,594,000	\$ 108,521,471	310.16%	-41.78%
June 30, 2015	0.8798%	381,089,000	113,197,880	336.66%	-35.68%
June 30, 2016	0.8892%	440,659,000	115,166,003	382.63%	-31.33%
June 30, 2017	0.8928%	440,940,000	118,860,782	370.97%	-34.15%
June 30, 2018	0.8819%	423,356,000	118,766,849	356.46%	-28.90%
June 30, 2019	0.9034%	422,634,000	124,589,330	339.22%	-25.94%
June 30, 2020	0.9123%	449,208,000	127,994,129	350.96%	-22.07%

LOWER MERION SCHOOL DISTRICT
Schedule of the District's Pension Contributions
For the Year Ended June 30, 2021

<u>Year Ended</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Excess/ (Deficiency)</u>	<u>District's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2014	\$ 16,941,000	(16,941,000)	\$ 0	108,521,471	15.61%
June 30, 2015	22,717,000	(22,717,000)	0	113,197,880	20.07%
June 30, 2016	28,289,000	(28,289,000)	0	115,166,003	24.56%
June 30, 2017	34,492,626	(34,492,626)	0	118,860,782	29.02%
June 30, 2018	40,688,465	(40,688,465)	0	118,766,849	34.26%
June 30, 2019	42,976,816	(42,976,816)	0	124,589,330	34.49%
June 30, 2020	44,720,699	(44,720,699)	0	127,994,129	34.94%

LOWER MERION SCHOOL DISTRICT
Schedule of Changes in Net OPEB Liability and Related Ratios (Unaudited)
For the Year Ended June 30, 2021

Total OPEB Liability:	
Service Cost	\$ 712,373
Interest	389,984
Changes of Benefit Terms	0
Differences Between Expected and Actual Experience	(772,783)
Changes of Assumptions	736,435
Benefit Payments	(520,669)
NET CHANGE IN TOTAL POLICE PENSION LIABILITY	<u>545,340</u>
Total Net OPEB Liability - Beginning	<u>\$ 11,176,360</u>
TOTAL NET OPEN LIABILITY - ENDING	<u><u>\$ 11,721,700</u></u>
Covered Employee Payroll	<u><u>\$ 119,898,842</u></u>
Net OPEB Liability as a Percentage of Covered Employee Payroll	<u><u>9.78%</u></u>

LOWER MERION SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the OPEB - PSERS Liability
For the Year Ended June 30, 2021

<u>Year Ended</u>	<u>District's Proportion of the Net OPEB - PSERS Liability (Asset)</u>	<u>District's Proportionate Share of the Net OPEB - PSERS Liability (Asset)</u>	<u>District's Covered Payroll</u>	<u>Net OPEB - PSERS Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Fiduciary Net Position as a Percentage of the Total OPEB - PSERS Liability</u>
June 30, 2017	0.8928%	\$ 18,190,000	\$ 118,860,782	15.30%	-827.70%
June 30, 2018	0.8819%	\$ 18,387,000	\$ 118,766,849	15.48%	-665.50%
June 30, 2019	0.9034%	\$ 19,214,000	\$ 124,589,330	15.42%	-515.88%
June 30, 2020	0.9123%	\$ 19,703,000	\$ 127,994,129	15.39%	-503.08%

LOWER MERION SCHOOL DISTRICT
Schedule of the District's OPEB - PSERS Contributions
For the Year Ended June 30, 2021

Year Ended	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Excess/ (Deficiency)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2017	\$ 876,812	\$ (876,812)	\$ 0	\$ 118,860,782	0.74%
June 30, 2018	\$ 980,441	\$ (980,441)	\$ 0	\$ 118,766,849	0.83%
June 30, 2019	\$ 1,035,933	\$ (1,035,933)	\$ 0	\$ 124,589,330	0.83%
June 30, 2020	\$ 1,088,482	\$ (1,088,482)	\$ 0	\$ 127,994,129	0.85%