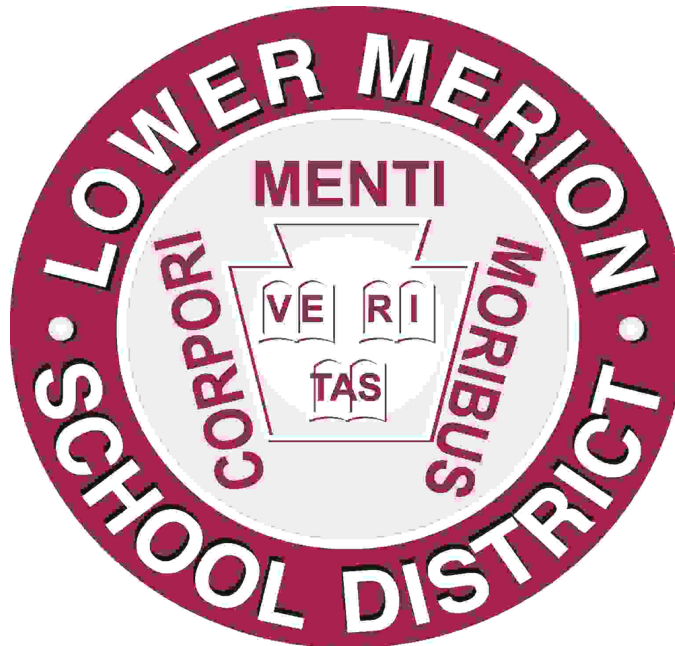


Lower Merion School District



2016-2017
Proposed
Budget Book

**Lower Merion School District
2016-2017
Proposed Budget Book**

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BUDGET SUMMARY

The Proposed 2016-17 Budget for the Lower Merion School District (LMSD) is the educational financing plan for the children of Lower Merion. It is a spending plan that supports our extensive curriculum and learning community. Education is a labor intensive industry. Salaries and fringe benefits cost account for 77% of expenditures. Debt service is the next largest category accounting for 11%.

Based upon the Enrollment Study conducted by Montgomery County Planning Commission in the 2014-15 school year, the District will continue to see an increase in the student population over the next decade. The District has completed expansion projects at the elementary and middle school levels. In order to address future growth at the high school level, the School Board has approved renovations at the District Administration Office to include additional classroom space. The Enrollment study was updated in the fall of 2015, indicating additional enrollment growth over the previous report, leading to authorization to install temporary modular classrooms at Penn Wynne Elementary School. The School Board continues to monitor enrollment information in order to manage projected growth.

The total general fund expenditures for the 2016-17 Budget are set at \$258,934,268 requiring a real estate tax rate of 27.3963 mills. The new mill rate represents an increase of 1.1642 mills or a tax rate increase of 4.44% over last year's millage rate.

In Pennsylvania all school budgets must be balanced. This means that the revenues must equal or exceed the expenditures. The revenue side of the budget is divided into four categories: money assigned as revenue from the fund balance, local sources, state sources and federal sources. In the LMSD, local revenue sources represents approximate 84% of total revenue. The majority of local revenue comes from one source—real estate tax, totaling \$207,556,402, which relies on property values. At this time, the state has not declared whether property tax reduction allocations will be provided to school districts. There are no earned income tax or "nuisance" taxes, such as per capita tax, levied in the school district.

In prior years other local revenues have been relatively constant and could readily be projected. Generally, when interest rates are lower, real estate transfer taxes are higher. Our real estate transfer tax is projected to be \$3,000,000, which is a \$50,000 increase from the prior year's budget. Interest rates on investments continue to be near historical lows. Therefore, investment income is projected to remain at the same level as the 2015-16 budget.

State revenue sources come from Commonwealth of Pennsylvania appropriations. Approximately 13% of our revenues come from the Commonwealth. The state uses an aid ratio or wealth factor as a major component in most subsidies. In the eyes of the Commonwealth, LMSD is a very wealthy school district and, therefore, our subsidies will be lower than poorer school districts.

As you may be aware, the 2015-16 Commonwealth budget of \$30.03 billion finally became law on March 27, 2016. Although Governor Wolf did not sign the bill, he allowed it to come into effect without his signature. However, he did veto the fiscal code legislation that accompanies the appropriations bill (the budget) which indicates how portions of the budget will be distributed, including among K-12 schools. The fiscal code is the last piece of legislation in the Commonwealth budget process. Traditionally without the fiscal code, these dollars cannot be legally appropriated because there is no signed agreement on how these funds can be spent. At this time, final appropriations for the school district are undetermined.

On April 5, Governor Wolf outlined his Restoration Formula for \$200M in new funding, adding to the Basic Education Funding and Block Grant budget lines. Meanwhile the Republican leaders are challenging whether he has the authority to distribute the funds the way he sees fit. They want him to use the bipartisan-backed formula recommended by the Basic Education Funding Commission last summer to distribute the Basic Education funds, and not stray from the formula used for Block Grant monies. Republicans are considering filing a law suit as a possible remedy on the distribution of the 2015-16 education funding.

On February 9, 2016 Governor Wolf presented his proposed \$33.1 billion 2016-17 Commonwealth Budget, of which \$9.5 billion is for Pre-K through 12 education funding. At this time we don't know how much, if any, of his proposed budget will be approved by the legislature. The proposal includes:

- \$200 million increase in the Basic Education Subsidy to be distributed using the Fair Funding Formula created, and unanimously adopted, by the Bipartisan Basic Education Funding Commission in June 2015.
- \$50 million increase in the Special Education Subsidy which will continue Pennsylvania's transition to the Funding Formula in 2014, reflecting the work of the Bipartisan Special Education Funding Commission.
- Charter school reform adjusting charter school reimbursements to better reflect actual costs of educating students with special needs. The proposed change will be phased in over the next three years and result in more than \$180 million in savings to school districts.
- A new funding formula for cyber charter schools which will save \$50 million annually for school districts across the Commonwealth.

Since uncertainty exists regarding the Commonwealth budget, the District's budget does not reflect the impact of these proposals.

Federal revenue sources, which usually are based upon a wealth factor, represent less than 1% of our budget. To balance the budget LMSD has only one revenue source it can adjust, and that is the local real estate tax millage. The local real estate tax is calculated by multiplying a property's assessment times the millage rate. Property assessments only change when a county-wide reassessment occurs, an individual property is improved or a property assessment is revised due to an assessment appeal.

ENROLLMENT PROJECTIONS

Student enrollments are the driving factor of the LMSD's budget. Several years ago we developed a projection model to predict future enrollments. We call the model the Retention Method. This model is based on the idea that students routinely move from one grade to another and that any internal policies and external factors that influenced grade progression in the past will continue to influence the progression of students from grade to grade in the future. An important factor for predicting kindergarten and 1st grade enrollments in the model is live birth information, which is obtained from the Pennsylvania Department of Health, Division of Health Statistics.

Analysis of past trends indicates that the Retention Method has been very effective in projecting enrollment. Enrollment trends in the non-public schools may impact the enrollment in LMSD. Historically, the non-public enrollment percentages have ranged from 35 to 40% of the total school age population. Our enrollment projections do not take into account possible opening or closing of non-public schools or other factors that may impact the transition to or from non-public schools. Our practice has been to create a budget on the basis of the projected enrollments, with the understanding that additional adjustments may be necessary if enrollments change significantly.

The Montgomery County Planning Commission (MCPC) conducted an enrollment study, which was presented to the public on April 27, 2015. Based upon tenth day enrollment data, MCPC updated the study in the fall of 2015, which indicated higher enrollment projections than their initial report.

Each year's budget document includes enrollment projections. The MCPC study will be incorporated into our future Capital Program analyses.

In addition to the study mentioned above, it is worthwhile to note that a ten year comparison of all Montgomery County school districts enrollment shows Lower Merion School District clearly with the highest percentage of enrollment growth, and Springfield a distant second. Some of the more notable enrollment changes are:

School District	% Enrollment Change 2006/07 through 2015/16
Lower Merion	20.26%
Springfield	13.59%
Methacton	-10.82%
Hatboro-Horsham	-12.14%

(Source: Montgomery County Intermediate Unit)

Overall, Montgomery County public school district enrollments have increased by less than 2% in this ten year period, while Lower Merion's has increased by more than 20%.

HISTORICAL ENROLLMENT BY GRADE GROUP (10TH day enrollment)

Grades	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
K – 5	3,140	3,286	3,399	3,508	3,659	3,830
6 – 8	1,660	1,728	1,808	1,866	1,874	1,843
9 – 12	2,342	2,346	2,475	2,485	2,520	2,668
TOTAL	7,142	7,360	7,682	7,859	8,053	8,341

LONG TERM ENROLLMENT PROJECTIONS

These long term enrollment projections are from the updated MCPC report. To date, these projections indicate higher enrollment growth over the next decade. It is difficult to predict the number of children entering kindergarten and first grade more than five years out, because they have not been born.

The following table shows long term projections for future years:

Fiscal year	Total Elem	Total Middle	Total High	Total
2016-17	3,917	1,958	2,671	8,546
2017-18	3,980	2,092	2,733	8,805
2018-19	4,002	2,223	2,786	9,010
2019-20	4,043	2,261	2,849	9,153
2020-21	4,019	2,339	2,991	9,349
2021-22	3,990	2,393	3,147	9,531
2022-23	3,961	2,447	3,283	9,691
2023-24	3,977	2,397	3,385	9,759
2024-25	4,006	2,340	3,464	9,810

Of particular interest is the comparison of the enrollment projections for the last two years. Last year we were projecting 8,298 total students for the beginning of the year.

8,341 students reported to school in September. Student enrollment increases started with the 2009-10 school year.

MANDATED PROGRAMS

In recent years, LMSD has had to increase staff to provide mandated programs and services. Mandates, particularly special education, have had a significant impact on staffing and, consequently, the budget. District psychologists continue to respond to evaluation requests for students who attend our schools, as well as the increased requests for services from resident students who attend non-public schools. Once identified, Individual Educational Programs (IEPs) dictate the number of professionals and support employees (instructional aides) that must be employed.

The nature of the IEP process may require adding staff after the start of the school year to appropriately implement a modified IEP or a program for a new student. When such a situation occurs, extensive data is secured to assess each student's needs and determine if there is a way to meet the student's needs within the current staffing configuration.

Staffing to provide special education supports and related services represent a growing segment of the overall staffing budget. School districts are required to meet the needs of students that require special education supports and related services, requiring staffing levels be driven by student needs as documented in their Individualized Education Programs rather than enrollment. In order to ensure that students garner meaningful educational benefit from their IEPs and to assist in providing for continued student achievement, the District examines class size, caseload size and the type and level of programming offered on an annual basis – all of which have a direct impact on staffing.

Additional professionals have been employed using federal and state grants to meet the needs of students who would benefit from additional instruction in the areas of reading and mathematics. These additional reading and math teachers address the specific needs of students who have yet to consistently demonstrate proficiency on standardized assessments. These specialists work with students and classroom teachers as part of the District's overall plan to address student achievement.

CLASS SIZE

While there is no written policy that dictates class size, there have been guidelines that have been consistently applied by the administration. For 2016-17 it is recommended that these parameters remain the same as for 2015-16. Equity is a priority; the same parameters are applied to all elementary schools. The number of elementary teaching positions in the 2016-17 budget is determined by projecting class sizes based upon the enrollment projections. We have reviewed the enrollment projections for 2016-17 and anticipate that recent increases at the elementary level may continue.

For budgeting purposes we will add 13.5 teaching positions and 12 support positions to the budget for 2016-17, some of which are part-time. Five instructional aides are included in the 12 support positions to address any increased needs in special education. Actual class sizes in any one elementary school will depend on the number of students registered in September. In the past, attendance area exceptions have not been made for the purpose of creating even class configurations.

For budget purposes, the number of elementary positions will be determined using the following guidelines:

Kindergarten	at or under 20
Grade 1	at or under 22
Grade 2	at or under 22
Grade 3	at or under 23
Grade 4	at or under 25
Grade 5	at or under 25

The following table shows the approximate elementary class sizes for the 2016-17 school year. These projections were based upon the MCPC Report. Actual enrollment figures are based upon current enrollment information. Should actual enrollments differ from the projections, appropriate adjustments will be made by using the class size guidelines indicated. While projections are a useful tool, we continue to monitor actual enrollments and adjust accordingly as we get closer to the beginning of the school year. Generally, the administration will not add a class to a grade level, unless all classes at that grade level exceed one more student than the guideline. In addition, the School Board approved a partner school policy, effective with the 2016-17 school year that will cap class sizes and move students who register after June 1, where there is no space available, to schools other than their "home" school where space is available within the class size guideline.

2016-17 Elementary Class Projected Enrollments as of March 30, 2016

School	K	1	2	3	4	5	Total	Class Type	Need as of 7/1/2016
Staffing Guidelines	20	22	22	23	25	25			
Belmont Hills 15-16 Actual	57	91	92	79	74	99	492		
16-17 Projections	73	88	98	92	81	75	505		
Classes	4	4	5	4	4	3	22	Kdg	2
Average	18.3	21.5	19.6	23.0	20.3	25.0		Reg	20
Cynwyd 15-16 Actual	62	107	85	107	110	89	560		
16-17 Projections	66	89	112	92	109	112	580		
Classes	4	4	5	4	5	5	25	Kdg	2
Average	16.5	22.3	22.4	23.0	21.8	22.4		Reg	23
Gladwyne 15-16 Actual	87	131	118	121	144	142	743		
16-17 Projections	89	131	136	127	127	149	759		
Classes	5	6	6	6	5	6	34	Kdg	2.5
Average	17.8	21.8	22.7	21.2	25.4	24.8		Reg	29
Merion 15-16 Actual	77	106	98	112	118	109	620		
16-17 Projections	75	101	109	102	109	121	617		
Classes	4	5	5	5	5	5	27	Kdg	2
Average	18.8	20.2	21.8	20.4	21.8	24.2		Reg	25
Penn Valley 15-16 Actual	78	104	138	133	121	128	702		
16-17 Projections	61	122	102	151	145	126	707		
Classes	3	6	5	7	6	6	30.5	Kdg	1.5
Average	20.3	20.3	20.4	21.6	24.2	25.2		Reg	29
Penn Wynne 15-16 Actual	109	139	115	129	117	121	730		
16-17 Projections	104	143	144	117	129	121	758		
Classes	5	7	7	5	5	5	31.5	Kdg	2.5
Average	20.8	20.4	20.6	23.4	25.8	24.2		Reg	29
							Projected	Projected need	
							3,926	as of 3/30/16	167.5
							Actual	Actual 15-16	166
								Budgeted 16-17	170

Note: When the projections are listed by schools, there may be round off errors when compared to a bulk projection.

At the middle school and high school levels, we attempt to keep class size at or below 25. Course selections (particularly electives), scheduling, and finally the availability of space appropriate to the type of course (lab space for example) may impact the actual enrollment of any one section. Sections are offered if a minimum of 15 students sign up for the course. We will continue to hold to the 15 student minimum next year except for IB, AP or continuation classes in a sequence. At the high school level, this is likely to mean that some classes will not be offered because of low class enrollment. We may also find that we need to close electives when the course requests exceed the number of sections that can be provided within the given level of staffing.

The following table shows the approximate secondary class sizes for the 2016-17 school year. These projections were based upon the MCPC Report. Actual enrollment figures are based upon current enrollment information.

<u>Secondary Enrollment Projections*</u>	<u>Students</u>	<u>Classroom Teaching Staff</u>
Middle School 15-16 Actual	1850	133
Middle School 16-17 Projections	1958	134
High School 15-16 Actual	2673	197
High School 16-17 Projections	2671	199

*Projections associated with teaching staff do not consider programmatic changes, individualized student needs or variations in student registration for specific courses. Scheduling changes that occur after the master schedule has been created frequently alter enrollments in individual classes. In an effort to more closely monitor class enrollments, and therefore the staffing levels, we will continue to limit the number of **discretionary** changes. Students will be permitted to adjust their schedules because they have failed a course, attended summer school, modified an IEP, or for a reason deemed by the principal to be in the best interest of the student's educational program. This practice limits the number of scheduling changes not based upon educational needs.

MENU OF COURSES

Which courses are offered at which grade level have significant impact on the level of staffing required to implement the instructional program. For example, if it is determined that all kindergarten students will receive physical education instruction provided by a certified physical education teacher, then the full-time equivalent of physical education teachers is increased proportionately to accommodate each kindergarten section. Similarly, if it is determined that middle school students should be able to opt for a different world language program than the one they had studied in elementary school, then the world language staff must be increased to offer beginning language courses in French, Spanish and Latin in addition to the continuation of programming for students in the Foreign Language in Elementary Schools (FLES) program. At the high school level, a parallel example would be – which world language courses are offered: Spanish, French, Latin, German and Japanese or perhaps Mandarin.

Staffing to implement the menu of courses, particularly at the high school level, is further complicated by the factor of course enrollment. Some courses may be popular with only a small number of high school students and so the practicality of offering the course must be determined.

Once the menu of courses is determined, the Superintendent, Assistant Superintendent, Senior Director of Policy, Personnel and School Programs, Human Resources Manager and Curriculum Administrators work with each principal to determine the level of staffing required to provide the instructional program. Consideration must be given to the parameters of certification, contract provisions regarding teaching load, and course enrollment.

2015-16 EMPLOYEES

LMSD employs approximately 1530 employees to implement the Strategic Plan and the Pennsylvania Curriculum Standards. These employees are grouped in the following manner: Personal Service Contract Administrators, Administrators (LMOSA, Act 93 employees), Professional staff (LMEA, Act 195 employees) and Support staff (LMEA, Act 195 employees). Depending on the educational need and the nature of the position, employees are employed in full time or part time positions. Substitute employees are secured whenever permanent employees are on approved leave, either for an extended period of time or on an intermittent daily basis. Substitute employees are hired as Long Term Substitute (LTS) employees when vacancies are anticipated to extend forty days or longer. Per diem (daily) substitutes are employed to fill intermittent absences or temporary positions of forty days or less.

SUPERINTENDENT AND PERSONAL SERVICE CONTRACTS

The following five leadership positions are excluded from Act 93 Administrative Meet and Discuss. These positions are: Commissioned Officers (Superintendent and Assistant Superintendent), Business Manager, Senior Director of Policy, Personnel and School Programs, and Human Resource Manager. Both Commissioned Officers must hold Pennsylvania certification since they are directly involved in the educational program. Employees hired for the other positions, Business Manager, Senior Director of Policy, Personnel and School Programs, and Human Resource Manager, are not required to hold professional certification. The positions below are covered by individual personal service contracts for the 2015-16 school year:

Superintendent	1
Assistant Superintendent	1
Business Manager	1
Senior Director of Policy, Personnel and School Programs	1
Human Resources Manager	<u>1</u>
Total	5

ADMINISTRATORS (LMOSA – Act 93)

The other administrative leaders in the LMSD can be grouped into two categories. The educational administrators, who are required to have professional certification to perform their assigned responsibilities because they directly impact the educational program, are in the first group. Among those included in this group are the Principals, Assistant Principals and content area Supervisors. The second group includes technical and specialist administrators whose primary function is to support the educational program. Among those included in this group are the Director of School and Community Relations, and Directors and Supervisors in the Operations and Nutritional Services Departments. Positions in this second category require a specialized expertise, but not professional certification.

Educational Leaders (Certification Required)

Director of Student Services	1
Lead Supervisor, Clinical Serv & Gifted Educ	1
Lead Supervisor, Special Educ Grades K-3	1
Supervisor, Special Educ, Grades 4-6	1
Supervisor, Special Educ Grades 7-9	1
Supervisor, Special Educ Grades 10-12+	1
Lead Supervisor, School Health Services	1
Supervisor K-12 Counseling, Testing, Holistic Support	1
Interim Director of Elementary Education	1
Supervisor, Elem STEM Educ, Health, Phys Educ	1
Supervisor Elem Literacy, Title 1, Social Studies, Art, Music	1
Interim Director of Secondary Education	1
Supervisor, Secondary Lang Arts, Social Studies, Art, Music	1
Supervisor, Secondary STEM Educ, Health, Phys Educ, Fam & Cons Science	1
Special Assistant for Student Achievement, Prog Eval, Data Analysis	1
Elementary Principal	6
Elementary Assistant Principal	2
Interim Elementary Assistant Principal	1
High School Principal	2
High School Assistant Principal	6
High School Athletic Director	2
Middle School Principal	2
Middle School Assistant Principal	3
Interim Middle School Assistant Principal	1
Director Information Systems	<u>1</u>
	41

**Leaders Supporting Educational Programs
(Certification Not Required)**

Director Operations	1
Assistant Director Operations	1
Supervisor Utilities	1
Supervisor Custodians/Security	1
Foreman (Custodial, Services, Operations, Transportation)	6
Supervisor Transportation	1
Director Nutritional Services	1
Assistant Director Nutritional Services	1
Director of School and Community Relations	1
Assistant Business Manager	1
Supervisor Technology Operations	1
Assistant Director Human Resources	1
Hiring Manager	1
Benefits Specialist	1
Human Resource Specialist	3
Executive Assistant (Superintendent, Assistant Superintendent, Business Manager, Senior Director of Policy, Personnel and School Programs)	5
Office Manager	<u>1</u>
	28

Summary

Personal Service Leaders	5
Educational Leaders (certified)	41
Leaders Supporting Programs (non- certified)	<u>28</u>
Total Leaders	74

PROFESSIONAL POSITIONS (LMEA)

All members of the professional staff are required to hold the certification appropriate to their content area(s). Teachers who teach in more than one area are required to be certified in each of the content areas. Teachers in elementary schools are responsible for teaching content to support all of the standards except art, music, physical education, and FLES. Specialists, certified in the respective content area, are employed to instruct each of these disciplines.

At the middle school level, teachers are either certified in elementary education for 6th grade or individual content areas for grades 7-8. Staffing in the middle schools has changed in the past few years as a result of certification changes incorporated in NCLB legislation. At the high school level, content area certification is required for each discipline area. LMSD requires that all teachers be highly qualified for their content area.

While the majority of the members of the professional staff are teachers, there are other specialists on the professional team. These professionals fulfill the roles of guidance counselor, speech therapist, social worker, home and school visitor, school nurse, psychologist, educational technology specialist, and librarian. All professionals hold the certification appropriate for the role. The following table shows the approximate breakdown of professional staff positions:

Position Title	Total Employee Count	Full Time Equivalent (FTE)
Subject Area Teacher	440.00	439.26
Special Education Teacher	96.00	94.50
Gifted Support Teacher	19.00	17.85
Special Area Teacher (Art, Music, PE)	76.00	70.08
ESL Teacher	9.00	7.50
Instructional Support Teacher	4.00	3.50
Reading Specialist	26.00	25.80
Math Specialist	10.00	10.00
Speech Therapist	18.00	16.80
Librarian	10.00	10.00
School Counselor	28.00	27.60
School Nurse	12.00	12.00
Psychologist	11.00	11.00
Educational Tech Support Teacher	1.00	1.00
Social Worker/Home School Visitor	4.00	4.00
Coordinator Gifted Education/Teacher Support	1.00	1.00
Coordinator of Special Education	3.00	3.00
	768.00	754.89

SUPPORT STAFF (LMEA)

Members of the support staff offer services in food services, instructional programming, operations, transportation and administrative services. The contribution of these staff members is essential to meet the ultimate mission of the LMSD. Because LMEA is a wall-to-wall association, members of the support staff are included in the same bargaining unit with the professional staff members. While working conditions are defined in the same written contract, work days, hours, and pay rates vary according to role and type of position.

The following table is a breakdown of district support staffing. Since many support positions are part-time positions, the chart includes both an employee count and full-time equivalent to show total positions budgeted.

Position Title	Total Employee Count	Full Time Equivalent (FTE)
<u>Aides</u>		
Instructional	175.00	175.00
Behavior	14.00	14.00
Campus	17.00	17.00
Cafeteria/Recess	38.00	38.00
Head Campus	2.00	2.00
Staff Nurse	18.00	18.00
Job Coach	2.00	2.00
Sports Aides	2.00	0.80
	268.00	266.80
<u>Secretarial/Clerical</u>		
Clerical Aide/Library Aide	13.00	13.00
Clerk/Typist/Part Time Receptionist	3.00	2.60
12 Month Secretary	10.00	10.00
190 Day Secretary	7.00	7.00
195 Day Secretary	17.00	17.00
Elementary Secretary	6.00	6.00
Executive Secretary	4.00	4.00
District Administrative Secretary	18.00	18.00
Senior District Administrative Secretary	11.00	11.00
	89.00	88.60
<u>Technology</u>		
Info Tech Support Technician	4.00	4.00
Desktop Technician	3.00	3.00
Video Technician	2.00	2.00
Database Application Technician	2.00	2.00

Webmaster	1.00	1.00
Network Technician	3.00	3.00
Info Tech Support – High School	2.00	2.00
	17.00	17.00

Custodians

Head	10.00	10.00
Day	8.00	8.00
Part Time	9.00	9.00
Night	30.00	30.00
Night LMHS	16.00	16.00
Shipper/Receiver	1.00	1.00
Weekend Custodians	4.00	1.60
Lead Custodian	2.00	2.00
	80.00	77.60

Operations - Grounds/Maintenance

Groundskeeper	8.00	8.00
Lead Buildings & Grounds/Head		
Groundskeeper	3.00	3.00
Laborer	1.00	1.00
Skilled Building Craftsman	15.00	15.00
	27.00	27.00

Transportation

Bus Aide or Parking Lot Attendant	25.00	25.00
Bus Aide Food Services Associate	1.00	1.00
12 Month Driver/Courier	1.00	1.00
Assistant Route Coordinator/Lead Driver Instr	2.00	2.00
Bus Driver	125.00	125.00
Bus Driver Food Services Associate	1.00	1.00
Lead Bus Mechanic	1.00	1.00
Bus Mechanic	5.00	5.00
	161.00	161.00

Nutritional Services

Complex Manager	2.00	2.00
Assistant Complex Manager	2.00	2.00
Middle School Cafeteria Manager	2.00	2.00
Elementary School Cafeteria Manager	6.00	6.00
Food Service Associates	35.00	35.00
	47.00	47.00

STAFF RECOMMENDATIONS FOR 2016-17

The staffing changes recommended for 2016-17 include the addition of 16 reserve positions.

The changes to the budget are listed below:

New Positions (To be held in Reserve)

- 13.5 Teachers
- 5 Instructional Aides
- 7 Support Positions (including 5 part-time positions)

Teachers

In anticipation of increased enrollment we are recommending that 13.5 positions be included in the budget. Enrollment Projections for 2016-17 suggest that the recent increase in student population will continue. We will budget for 13.5 additional teaching positions, but we will only fill the positions which are justified by increased enrollment per the staffing guidelines and program needs

Instructional Aides

The Special Education program at LMSD is a highly inclusive program. The IEPs for special education students often include the support of an instructional aide, behavior aide or job coach so that the level of inclusiveness can be maximized. Five reserve positions are included in the budget to support the needs of Special Education students as required by IEPs. Positions will only be filled if the student needs cannot be met by existing staff. It is assumed that these aides will be Instructional Aides; however, IEPs may require that the services be provided by Behavior Aides or Job Coaches instead.

Support Staff

Based upon the Enrollment Projection Study we are recommending seven additional support positions to accommodate the needs due to the increase in student population.

EMPLOYEE BENEFITS

Medical benefits account for about 35% of our employee benefit costs. To help control and reduce these costs, we formed the Southeastern Pennsylvania Schools Trust (SEPaST) with other school districts. As a member of SEPaST, our medical benefits are self-insured, which is a cost containment measure to control this expenditure. SEPaST is committed to exploring ways of reducing future costs. For the 2016-17 fiscal year our medical benefits are projected to be a single percentage increase from 2015-16 costs. Employee benefits are a function of contract negotiations. The LMEA

Contract and the LMOSA Agreement include provisions for employees to contribute 2.6% of their salaries toward the premium share.

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

FUTURE RETIREMENT RATE PROJECTIONS

In 2002-03 the actuary for the Pennsylvania School Employees Retirement Systems (PSERS) recommended a rate increase with the total contribution rate for employers to be set at 5.64%. Because this was not a popular political decision in Harrisburg, that rate was reduced by state legislature to 1.15%. In 2003-04 the rate increased to 3.77%. Because the recommended rate increase did not take effect in July 2002, as originally planned, school districts and the state have been under paying the amount they should have been paying to the fund. This under payment will result in higher rates in future years. The General Assembly realized that their decision to delay the rate increase could have dramatic effects on future budgets. To modify this effect, Act 40 of 2003 was passed in December 2003. This Act instituted changes that would help slow the trend of increases in pension obligations. A major factor of the Act changed the amortization period for unfunded liabilities from 10 years to 30 years and established a contribution rate floor of 4%. For the 2006-07, 2007-08, 2008-09, 2009-10, 2010-11, 2011-12, 2012-13, 2013-14, 2014-15 and 2015-16 budget periods the rates were 4.69%, 6.46%, 7.13%, 4.76%, 4.78%, 5.64%, 8.65%, 12.36%, 16.93% , 21.40% and 25.84% respectively. The PSERS board has certified the official employer contribution rate for 2016-17 at 30.03%.

The state legislature and the Pennsylvania Department of Education (PDE) have realized that we are facing a pension crisis. On November 23, 2010, the state legislative enacted Act 120. Benefits earned by new members will be almost entirely funded by the member and new pension liabilities will grow at a lower rate. The benefit reductions contained in this legislation will only impact individuals who become new members of PSERS on or after July 1, 2011. Still, the employer contribution rate remains high for the foreseeable future as the existing debt still needs to be paid off. Current PSERS employer projections are slated to continue increasing peaking at 34.3% in the fiscal year ending 2027. Each school district pays the total rate and is then reimbursed one-half of the payment as a subsidy by the state.

Historically, PSERS has made a large amount of investment income. Only time will tell how much the System can offset future projected rate increases with future investment income.

DEBT SERVICE

In 1998 the LMSD began a very aggressive capital program. When the program is complete, every school building will be upgraded to be flexible and meet modern standards. Several years of planning and public meetings preceded the actual construction. To fund the program the LMSD has issued several bond issues, 1998, 2002, 2003, 2006, 2006A, 2007 and 2009. The 2002, 2003 and 2006A issues were all partial refunding of the 1998 Issue to take advantage of very low interest rates and save the LMSD money. Likewise, in 2012, the 2002 and 2003 issues were refunded, and in 2015 a partial refunding of the 2007 bond was also conducted. Recently the district refunded Series A of 2006 and the remaining bonds of the Series of 2007, resulting in a savings of over \$9.8 million over six years. Refunding an issue is very similar to a homeowner refinancing a mortgage.

Recently Moody's Investor Services reviewed and assigned a rating of Aaa to LMSD. We are one of a very select group of municipal organizations with this rating. In their report Moody's cited the strengths of the school district to be a large tax base with above average wealth levels, strong reserve and equity levels and limited dependence on state aid. This rating assures the community that our bonds are of the highest quality and should receive the lowest rates available.

The following is an analysis of bonds payable at June 30, 2015:

Bond Issue	Current Outstanding Principal
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, 2015 was 0.78%	\$ 19,800,000
General Obligation Bonds, Series A of 2006. Original principal of \$33,250,000, maturing May 15, 2023, bearing interest from 4.00% to 4.38%. Interest is paid semi-annually on May 15 and November 15	32,405,000
General Obligation Bonds, Series 2007. Original principal of \$70,900,000, maturing September 1, 2032 bearing interest from 3.70% to 5.00%. Interest is paid semi-annually on March 15 and September 15	28,575,000
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, 2015 was 0.05%	76,320,000
General Obligation Bonds, Series 2012. Original principal amount of \$30,835,000, maturing May 15, 2018, bearing interest from 2.00% to 5.00%. Interest is paid semi-annually on March 15 and November 15	15,495,000
General Obligation Bonds, Series A 2012. Original principal amount of \$47,015,000, maturing November 12, 2028, bearing interest from 2.00% to 5.00%. Interest is paid semi-annually on March 15 and November 15	46,230,000
General Obligation Bonds, Series 2013. Original principal amount of \$9,810,000, maturing November 15, 2024, bearing interest from 1.00% to 2.00%. Interest is paid semi-annually on March 15 and November 15	9,800,000
General Obligation Bonds, Series 2014. Original principal amount of \$9,980,000, maturing November 15, 2025, bearing interest from 2.00% to 2.35%. Interest is paid semi-annually on March 15 and November 15	9,980,000
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	9,700,000
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	31,880,000
Total	<u>\$280,185,000</u>

In the 2009-10 Budget the LMSD incurred \$103,325,000 in principal debt. The proceeds of the 2007 and the 2009 bond issues were primarily being used to fund the two new high schools. As a means of minimizing interest rate fluctuations, the District entered into an interest rate swap in connection with its \$102,000,000 Series of 2009 adjustable rate general obligation bonds. The intention of the swap was to effectively change the District's variable rate interest rate on the notes to a synthetic fixed rate of 4.041%.

Based upon the District-Wide Facilities Study, additions and renovations at two elementary schools and the two middle schools were completed. The District Administration Office will be renovated to provide for additional high school classroom space to address the projected enrollment increase at an estimated cost of \$5,500,000.

SCHOOL FUND BALANCE

An important concept used in government accounting and reflected on the district's Annual Financial Report (AFR) is "fund balance." Fund balance is a measure of net financial assets, which is similar but not identical to equity or accumulated savings. The fund balance is equal to financial assets less financial liabilities. Deposits are your assets and the bills you owe are your liabilities. What is left over is generally considered your available balance, or what is left for spending.

A common misconception is that fund balance is a cash account, and therefore corresponds to the district's bank balance. As discussed above, fund balance represents the fund's total assets minus its liabilities (what a fund owns minus what it owes). Cash is an asset, but it usually is not a fund's only asset. The fund may also have liabilities, such as an accounts payable amount due a supplier that could result in a decrease in fund cash when they are paid.

It is important to recognize that there is often a portion of the fund balance for a school district that is committed and can only be used for specific purposes as a result of formal action by the school's highest level of authority (in most cases this would be the School Board). The unassigned portion of the fund balance can be used for any future district spending. Good financial practices suggest that districts maintain an adequate unassigned fund balance to cover district emergencies or other contingencies.

Financial statements and the fund balance provide valuable information on the financial activities and position of a school district. In general, a negative unassigned fund balance means the district's financial obligations are greater than its resources, and additional resources (possibly taxes) will be required to meet this gap. Similarly, a positive but decreasing unassigned fund balance must be reviewed by district officials in order to make sure there will be sufficient funds to meet future needs.

PUBLIC EDUCATION IN LOWER MERION

The Pennsylvania Constitution requires the State Legislature to *"provide for the maintenance and support of a thorough and efficient system of public education to serve the needs of the Commonwealth."* In order to fulfill this responsibility, the state has established a system of local public school districts. The state also created the Pennsylvania Department of Education (PDE) to administer school laws and to help school districts carry out their educational programs.

The primary responsibility for the activities of a school district lies with the locally elected school board. While local control has a strong tradition in Pennsylvania, the school board must direct the affairs of the school district within the framework of the Pennsylvania School Code, other state laws, and various regulations and standards. These regulations and standards are established primarily by the PDE, the State Board of Education, the Pennsylvania State Legislature, other state agencies, and independent groups that help to set accounting and financial standards.

As part of its responsibilities, the local school board adopts a budget, collects revenue, expends funds, executes related responsibilities, and makes numerous other decisions in the interest of providing a sound program of education for the district's students. All school district finances start with a budget. In making budgetary decisions, the school board must balance a variety of competing interests and choose between what it finds necessary for a quality educational program and what it and its taxpayers can afford. The board is accountable to its citizenry for all its activities through a system of financial reports and audits, public and state oversight, and, of course, the election process.

State law requires that each Pennsylvania school district prepare an annual budget. The budget has two equally important parts:

- A spending plan for the programs and services designed to achieve the district's educational goals and objectives.
- The financing plan to meet the district's expected costs for these programs and services. The financing plan outlines the financial resources needed by the district, including the taxes that must be levied.

Many households and businesses also develop budgets. However, a school budget differs in that it is a legal document which sets limits on how much a district can spend for various purposes throughout the year and which provides for other financial controls and accountability. Those controls and accountability are fundamentally important because school districts use public funds. Action taken in obtaining and spending these funds is part of the public trust given by citizens to their elected officials.

Because the budget is the fundamental document from which all other aspects of the district's financial operation are measured, the development, adoption and execution of the budget are year-long processes. The budget process can be broken down into various parts forming a cycle that repeats itself from year to year.

The final adoption of the budget process is considered so important that the Pennsylvania State Legislature requires specific actions in conjunction with the budgetary appropriation and control process. Some of these are:

- A proposed budget must be prepared at least 30 days before final adoption using forms provided by PDE
- The proposed budget must be available for public inspection at least 20 days before the board meets to vote on its adoption
- There must be at least 10 days notice to the public before the board takes final action to adopt the budget
- The budget must be voted on at a public meeting
- The budget must be approved by an affirmative vote of at least five of the nine board members
- The approved budget must be submitted to PDE within 15 days of its adoption

In 2006 the legislature approved Act 1. This act modified the budget approval process and added an additional budget approval. Now school districts must approve a preliminary budget at least 90 days prior to the primary election. After the preliminary budget is approved, a school district must also follow the above budget process for the approval of the proposed and final budgets.

The school board is also responsible for meeting the requirements of specific programs and/or grants, and these requirements in turn influence the board's decisions. In addition, local needs that the board believes are of critical importance are generally included in the budget. The budget becomes a process that must strike a balance between which programs to include and how much can be spent to pay for them - and particularly the amount of taxes that can be levied.

Although the school board has the ultimate responsibility for budget adoption and compliance, the day-to-day execution of the budget relies upon a number of participants. Key among these is the superintendent, the chief executive officer of the district. Often the individual most familiar with the financial implications of the budget is the district's chief financial officer, normally its business manager. Others within the school district administration, including principals, staff and teachers, are needed to make the budget a viable working document. The public plays a role as well: it is the citizens, through the election process, who select board members to be directly responsible for the oversight of financial affairs of the district.

The budget, by necessity, is based on a series of estimates of future revenues and expenditures. It is not uncommon for actual revenues and expenditures to differ from the estimates. Therefore, it is usually necessary to make changes as the year progresses. These often take the form of transfers from one account to another. Such transfers, under the Pennsylvania School Code, can only take place after the first three months of the fiscal year and can only be made with the approval of the board. There is also a provision in the School Code that allows the board to change the budget in an emergency situation that threatens the life or safety of school district children, staff, or others. In this case, if the budget does not have enough funding in reserve, the code authorizes the board to secure temporary loans to address the emergency.

Throughout the year a district's finances are closely monitored and evaluated for conformance to the budget. As a further control, all invoices payable by the district must be approved by the board.

In summary, the budget is both a financial plan to help achieve the educational goals of the district and a control mechanism to ensure that the policy objectives determined by the board (and, indirectly, the electorate) are achieved.

DETERMINING THE BUDGET

The budget must strike a balance among the three principal forces in the budgeting process:

- Educational Programs
- Overall Spending
- Financial Resources



Which one of these factors is the controlling force? In the view of some of the participants, educational programs may be the most important consideration, to others it might be overall spending or the realities of limited financial resources. But no single factor consistently and uniformly drives the budget process in all districts. Nonetheless, the budget must bring these primary factors together and balance them in a coherent plan.

Various factors affect budgetary decisions. On the expenditure side, these may include:

- Enrollment and enrollment trends (whether it is growing or declining)
- Staffing, including size, length of service, and educational level
- Policies on class size
- Collective bargaining agreements
- Building age, energy efficiency, and space capacity requirements
- Special education programs
- Busing requirements for both public and non-public students
- Technology programs and infrastructure
- Health programs
- Extracurricular activities
- Other required programs

The budget must develop and bring together all of these factors to provide a coherent plan. Choices must be made between educational requirements and available funding. There are always competing interests.

The budget process for the 2016-17 school year began in late summer. Zero based budgeting was utilized in developing the 2016-17 budget. Throughout the fall administrators reviewed historical data and future needs to develop their budgets. In November the Superintendent's Cabinet and other administrators met to review their budget submissions and a personnel reconciliation on current and future staffing needs was conducted. Subsequently in February, another round of budget review meetings were conducted with cabinet members. A final review of personnel needs will be performed in the spring, prior to final budget adoption.

On the revenue side, influencing factors include:

- Assessed value of real estate
- Various state subsidies
- Federal and state grants
- Funds available from prior years

Other factors may have a major bearing, particularly on real estate tax revenue. These include property assessments (including appeals) and state legislation such as Act 50, the Clean and Green program, the Keystone Opportunity Zone (KOZ) program, and the Local Economic Revitalization Tax Assistance Act (LERTA).

WHERE DOES THE MONEY COME FROM FOR PUBLIC SCHOOLS?

Pennsylvania's public school districts receive their funds from two primary sources: local sources - mainly local taxes - and the state government. Relatively small amounts come from the federal government and miscellaneous sources. School districts may also use money left over from prior years. Generally, Pennsylvania's school districts receive 60% of their revenues from local sources and 34% from the state. Lower Merion School District (LMSD) receives **83.76%** of our revenues from local sources, **12.63%** from the state (does not include property tax reduction allocations) and federal governments, and **3.61%** from funds of prior years. Local taxes are the primary source of local revenues for school districts and generally produce more than half of the total district revenues. A relatively small portion of local revenues comes from sources other than taxes.

Statewide, most people pay some form of local taxes to their school district. These include the real estate tax, the earned income/net profits tax and a mixture of other non-property taxes. LMSD does not impose an earned income/net profits tax. The real estate tax is our primary income source.

The Commonwealth also provides funds for a number of other programs and services using a variety of reimbursement mechanisms. These programs include career and technical education; certain medical, dental, nurse, and related health services; driver education; homebound instruction; adult literacy; school food services; education of educationally deprived children; and dropout prevention.

Real estate tax is the major source of tax revenue for school districts and used by all Pennsylvania districts. It is levied on the land and buildings owned by individuals and businesses. The real estate tax rate is determined by the school board. The real estate tax has a potential yield, or the amount a district expects to receive from the tax. The yield is equivalent to the base multiplied by the rate. For the individual taxpayer, the tax bill is calculated in the same fashion.

The county assessment office sets the base by placing an assessed value for taxation purposes on each property in the district. A uniform tax millage rate is then levied by the school district against the value of each property. One mill is equivalent to \$1 of tax for each \$1,000 of value. The millage rate multiplied by the sum of the values of all properties (known as the district's assessed valuation) produces the potential tax revenue of the district. The actual revenue varies due to multiple factors, including discounts and uncollected taxes. For individual taxpayers the millage multiplied by the assessed value of their property produces the owner's tax bill. The LMSD millage rate for 2015-16 was 26.2321 mills. For a property with an assessment of \$100,000 the tax bill was \$2,623.21. The new proposed millage rate for 2016-17 is 27.3963 mills. The new tax bill for

that same property with an assessment of \$100,000 will be \$2,739.63, an increase of \$116.42.

LMSD does not impose an earned income tax. In most other school districts an earned income tax (the largest of the non-property taxes) is levied on the wages, salaries, commissions, net profits, and other compensation of those who reside in a district. Income from interest and dividends is not taxable. This tax applies to employed individuals, unincorporated business owners, partnerships, etc., and is normally withheld from workers' paychecks.

The real estate transfer tax (one of the larger source of non-property taxes) is imposed when someone sells an item of real estate. The tax is based on the selling price of the property and is paid at the time of title transfer. Generally when interest rates are low, more property sales occur and transfer tax revenue is higher. Housing sales have increased recently, but are sometimes selling for a lower price than prior to the economy downturn in 2008. For the 2016-17 Budget we are budgeting \$3,000,000 in real estate transfer tax revenues.

Revenues at the local level also include investment income. Interest earnings and other revenue generated from investments can be quite significant. The national economic climate has a major impact on investment income rates. We are now earning \$3,000,000 to \$4,000,000 less annually than we did a few years ago. The 2016-17 Budget includes total interest income budget of \$250,000, which is the same as the previous year.

Other sources of local income include rentals of school facilities, tuition payments, receipts from the sale of materials and supplies, and other miscellaneous sources.

STATE AND FEDERAL REVENUE SOURCES

The state's appropriation for Basic Education Funding (BEF) is the largest subsidy provided by the Commonwealth to its 500 public school districts to help meet instruction costs. It has been the largest single appropriation in the Commonwealth's Budget each year. LMSD has budgeted \$3,497,119 for BEF.

In addition to the BEF subsidy, the Commonwealth provides funding to school districts to help offset a variety of costs including educating exceptional children, transporting children between home and school (including eligible non-public students), and half of the employer's share of retirement and Social Security payments for public school personnel.

The 2016-17 Budget includes the following state subsidies:

\$2,882,307 - Special Education
2,400,000 - Transportation
4,600,000 - Social Security
18,200,000 - Retirement

The legislature is currently reviewing potential new legislation to create a new formula for state funding of special education program as recommended by the Special Education Funding Formula Commission. In addition, legislation is being proposed to create a similar commission to examine the Basic Education Funding Formula.

HOW DO SCHOOLS SPEND THEIR MONEY?

School districts spend money for their day-to-day needs (such as salaries, books, and utilities for buildings) as well as longer-term needs (such as new buildings and the repair or expansion of older buildings, including the repayment of borrowed funds for these and other purposes).

The state requires school districts to account for their spending in two ways. First, they must identify spending based on why the expenditures are made. There are five educational cost categories known as functions. The functions include the following:

- Instruction
- Support services
- Non-instructional services
- Facilities acquisition, construction and improvement services
- Other financing uses

Second, school districts record spending according to what they purchase. These costs provide a different perspective on spending. The various things school districts may purchase include salaries, benefits, purchased professional services, contracted repairs or rentals, supplies, and expenditures for facilities. These are known as objects of expenditure. Salaries and benefits represent the largest portion of this type of spending.

FUNCTIONAL ACTIVITIES

The **function** describes the activities for which a service or material is acquired. Functions consist of activities which have somewhat the same general operational objective. For accounting purposes, functions are further broken down by sub functions. Pennsylvania's school districts spend most of their funds on classroom instruction activities. These are known as instruction costs and

include the salaries and benefits of teachers, supplies, books, certain maintenance costs and contracted services, and equipment.

The function **Instruction Costs** is subdivided into specific areas as described below:

Regular Instruction Programs

- **Regular instruction programs** involve educating students in grades kindergarten through 12.

Special Education Programs

- **Special education** supports and related services are provided to eligible school-aged students whose parents/guardians reside in the District. School-aged students may be found eligible for special education supports and related services as a child with a disability. Disabilities delineated under relevant law and regulations include autism, deaf-blind, deaf, development delay, emotionally disturbed, hearing impaired, intellectually disabled, multiply disabled, orthopedic impaired, other health impaired, specifically learning disabled, speech and language impaired, traumatically brain injured, visually impaired. The District provides supports and services for its children with disabilities through programs directly operated by the District or contracted through intermediate units or other providers.

Career and Technical Education Programs

- **Career and technical (vocational) education programs** are designed to prepare individuals for employment in various occupational fields including agriculture, business, distribution, health, home economics, and other endeavors. They are provided directly by a school district through an in-house program or by an area vocational technical school.

Other Instructional Programs

- **Other instructional programs** may include drivers' education, summer school, homebound instruction, and alternative education programs.

Adult Education Programs

- Select districts across the Commonwealth offer **adult education programs**.

Community Education

- Select districts across the Commonwealth offer support to students attending an institution of higher education. This usually takes the form of support to a local community college.

The function **Support Services** includes services designed to directly aid and benefit students (student personnel services); services which assist and support the instructional staff in carrying out the educational process; administrative services; student health services; business and related services; operation and maintenance of school buildings and grounds; student transportation; central support services; and other support services. After instruction costs, support services are the second largest functional area of school spending.

For accounting purposes the function **Support Services** is subdivided into the following categories:

- **Student Personnel Services** are designed to directly aid and benefit students. These include guidance services (such as counseling and placement); monitoring and enforcing attendance requirements; identifying students with psychological difficulties and providing services to them; aiding children with speech and hearing difficulties; providing social services; and maintaining school attendance and related records.
- **Support Services** assist and support the instructional staff in carrying out the educational process. These activities include providing hardware and software for instructional programs; computer-assisted instruction; school library services; curriculum development services; and related costs.
- **Administrative Support Services** include those activities related to the school board; the superintendent; tax assessment and collection; legal services; principals; and various other administrative activities costs.
- **Health Services** include medical, dental, nursing, and related services provided to both public and non-public students, as required by state law.
- **Business Services** include financial accounting and reporting, budgeting, payroll, purchasing, printing, and related activities.
- **Operation and Maintenance of Plant Services** include the cost of purchasing, maintaining, repairing, replacing equipment and providing heat and light for the physical buildings and grounds of the school district.
- **Student Transportation Services** include the cost to a school district of transporting its students to and from school. State law also requires that districts provide identical transportation services to resident non-public school students, including transportation to schools up to ten miles beyond the boundaries of the school district. The state specifically reimburses districts for a portion of these costs. Districts most often provide student transportation using district-owned equipment or by contracting with a

vendor, but they can also use public transportation services, when it is available.

- **Central Support Services** include planning research, human resources, data processing and related services.
- **Other Support Services** include anything else not classified above.

The function **Non-instructional Services** includes those activities concerned with providing non-instructional services to students, staff or community. For most school budgets, student activities and community services account for the majority of the money spent in this function. The sub-breakdowns of this function are the following:

- **Food Services** are those activities concerned with providing food to students and staff in schools. Most school districts operate a separate Food Service Fund for these expenditures.
- **Student Activities** include activities under the guidance and control of the school district staff.
- **Community Services** include activities concerned with providing community services to students, staff and community participants.
- **Scholarships and Awards** are for amounts associated with awards or scholarships not specified to be accounted for in other areas.

The function **Facilities Acquisition, Construction and Improvement Services** is used to record capital expenditures to purchase land, buildings, service systems and built-in equipment. Generally school districts will maintain a separate Capital Fund for these expenditures.

The function **Other Expenditures and Financing Uses** includes payments for long-term debt, fund transfers and the budget reserve. A homeowner making mortgage payments to a bank is similar to a school district making payments for long term debt.

The General Fund is the primary operating fund for school districts. Generally, a school district will maintain several other funds. Examples of the other funds are the following:

- Capital Projects
- Food Service
- Capital Reserve
- Student Activities

Transfers to the above funds are recorded in the function **Other Expenditures and Financing Uses**.

The school budget is a spending plan for programs and services. It is a sound management practice to provide for operating contingencies through a **Budget**

Reserve. Experience indicates that there are certain variables over which control is impossible regardless of the care with which the budget is prepared. These variables include unpredictable changes in costs of goods and services, and the occurrences of events which are vaguely perceptible during the time of budget preparation, but which nevertheless, may require expenditures by the school district during the year for which the budget is being prepared.

WHY DO SCHOOL COSTS VARY?

Variation in Expenditures

The data for expenditures both by function and by object indicates a relatively wide range in spending on a per-student basis from district to district throughout the state. These ranges reflect in part the diversity of Pennsylvania's socio-economic, geographic, and demographic factors as well as the urban, suburban, and rural mix among school districts. In addition, the educational process is very labor-intensive, and as a result most school district costs are related to personnel. Thus, the variation in salaries and benefits paid throughout the state is reflected in the aggregate and per-student expenditures of each school district.

In addition, Lower Merion offers a high quality of programs which have been recognized at national, state and local levels for their achievements. Please refer to the School District Highlights, Points of Pride and Program Highlights sections later in this book for more detailed information.

Within this context, some of the specific factors that cause cost variations from district to district encompass the following major areas:

Salaries and Benefits

- **Collective Bargaining Contracts** - State law sets the guidelines for districts to negotiate and enter into collective bargaining agreements with their employees for wages, benefits, and working conditions. Because each district negotiates with its employees independently and each district is subject to a different mix of characteristics, variations will result from district to district with respect to pay rates, benefit levels, etc.
- **Service and Educational Level of Employees** - Generally speaking, employees with more years of service receive higher compensation than those with fewer years of service. Similarly, employees who have higher educational levels tend to receive higher wages than those with lower levels of education. Therefore, districts with an employee mix that has relatively more years of service and a higher educational level will tend to have higher personnel costs, all other factors being equal.
- **Labor Market Conditions** - School districts located in areas where general wage rates tend to be high may need to pay higher rates of compensation

to attract qualified employees. Similarly, in areas where there is a scarcity of teachers and other personnel, districts may also need to pay higher wages than those districts with an adequate labor pool. This factor may also be influenced by a rapid change in the district's enrollment. Such an increase in enrollment may force a district to pay higher wages to attract teachers from outside the district's normal labor pool.

- Student/Teacher Ratio - All things being equal, those districts with a lower student/teacher ratio will employ more teachers than would be the case if more students were assigned to each teacher. Consequently, in districts with lower student/teacher ratios, personnel costs will generally be higher.
- Grade Level Mix - As a general rule the cost of educating high school students tends to be greater than at the elementary level. Districts with a student enrollment weighted toward high school students will tend to be relatively more costly than those with more students at the elementary level.

Special Education

One of the major cost areas for most school districts deals with special education. Variables from district to district within this area include:

- Number of students enrolled in special education relative to the total district enrollment.
- Types of special education programs to be provided. There can be a wide range in the cost of these programs depending on the nature of the services required by the students.
- Degree to which special education programs can be provided within the local district versus purchasing the services from a non-district source.

Transportation

- Geographic size of the district
- Population groupings and density of students related to bus routes
- Proportion of students in the district that need to be bused
- Urban, suburban, rural nature of the district
- Number of schools and their configuration in relationship to population density and district policy on the maximum length of travel time for an individual student
- Number of non-public students who must be bused by the district, especially to schools up to ten miles beyond the district's limits
- Availability of vendors to provide transportation services as an alternative to the district operating its own buses
- Fuel cost variances throughout the state

Building and Equipment Costs

- Age, quality, and efficiency of buildings
- Ability to adapt building space to changes in the educational program including use for special educational programs and computer technology
- Need for new buildings because of enrollment growth or outdated structures - these can vary significantly from district to district
- Mechanical and heating efficiency especially in high energy cost environments often related to the age of the system

School costs are rising. The CPI is a model which was designed to predict the cost increases of a particular market basket. These goods and services and their percentages are supposed to replicate the purchases of a typical person. A school district may purchase some of the items in the market basket, however the percent of school district funds spent on these items does not match the CPI market basket. There are individual components of the CPI that are useful. For example, if you were to extract the percentage of change for fuel prices or health insurance costs, they could be used to project new fuel and insurance costs.

The financing and operation of public school districts involve multiple parties, including local business owners, retirees, parents, residents, taxpayers, school administrators, teachers, staff and the students themselves.

HOW DO SCHOOL DISTRICTS ACCOUNT FOR THEIR MONEY?

In order to evaluate their financial status, all school districts must track and analyze their revenues, expenditures, assets, liabilities, fund balances and related financial activities. The state established a standard accounting system for these purposes.

School districts, like businesses, use their accounting system to keep track of financial activities. In addition, they must assure the public that public monies are received and spent in keeping with legal requirements and the adopted budget. The accounting system provides the framework to achieve this goal.

In order to measure and control the legal and budgeted activities properly, separate accounting funds are set up. An accounting fund is a set of self-balancing accounts or a "separate set of books" used for a legally defined or prescribed purpose. Each fund is accounted for as if it was a separate business, with most activities accounted for in the General Fund. Districts might have additional funds for capital projects, debt service, food service, athletics and others. At the end of the fiscal year the district prepares an Annual Financial Report (AFR). This is a document that the school district must submit to the state. A number of financial statements and supporting documents make up the

AFR. The most important ones include the balance sheet, statement of net assets and statement of activities.

The financial statements and, in particular, fund balances give helpful information on the financial position of the district and can help answer a variety of questions, particularly if comparisons are made from one year to another. In addition, they can help to identify trends from year to year.

HOW CAN TAXPAYERS BE SURE THESE NUMBERS ARE ACCURATE?

The school district's financial transactions are audited, or examined by an independent auditor, to determine their accuracy. There are three main audits:

- A financial audit (required by the Pennsylvania School Code) is used to determine whether the financial statements produced by the school district fairly represent the district's financial position and operations. Certified Public Accountants (CPAs) perform this audit in all Pennsylvania districts, except Philadelphia, where the City Comptroller assumes this responsibility.
- The Pennsylvania Auditor General performs another key audit to verify that school districts received the proper allocation of state funds and followed state rules and regulations.
- Federal grant programs require a separate audit to verify that the federal funds were received and spent according to established rules and regulations.

School districts in Pennsylvania operate under specific accounting rules determined by the Labor, Education and Community Services (LECS) Comptroller's Office that are based on a number of sources including the Pennsylvania School Code and other state laws. The accounting rules also follow nationally established guidelines often referred to as Generally Accepted Accounting Principles (GAAP). There are a number of different sources for GAAP, but the primary source is the Governmental Accounting Standards Board (GASB).

The requirement for accountability of school districts for the spending of public funds has led to the concept of fund accounting. The use of individual funds as required by the Pennsylvania School Code and GAAP permits close control of such district spending.

PUBLIC MONEY ALSO HELPS NON-PUBLIC SCHOOL STUDENTS

Public school districts are financially responsible for various services provided to non-public school students as required by state law.

The level of spending will differ by district and is based on its characteristics including the number of non-public students serviced by the district. The primary areas of spending for non-public students include transportation; health services; remedial reading, math instruction, psychological evaluation, counseling and services for students with speech, hearing or visual impairments; career and technical education which enables non-public students to attend public vocational/technical schools for training in areas such as business, trade, technical and health careers; special education; and other programs.

IMPORTANT TERMS OR CONCEPTS:

NEW CONSTRUCTION AND RECONSTRUCTION OF SCHOOL BUILDINGS

The Pennsylvania School Code requires that school districts provide necessary grounds and suitable buildings so that every student will have proper and healthful accommodations. Generally, the determination of what constitutes "necessary grounds and suitable buildings" is left to the determination of the local school board.

PDE is directly involved in any significant school construction projects for which state reimbursement is requested. Major factors on state reimbursements are:

- The Commonwealth will not reimburse for any alteration to a school building that is less than 20 years old or that has had a reimbursable project within the last 20 years unless a variance is requested and approved by the PDE
- The state also requires a district-wide facility study prepared by the district to justify the project
- Any renovations must not have a cost that is less than 20% of the replacement value of the existing facility unless a variance is requested and approved by the PDE
- The amount of state reimbursement for construction depends, in general, upon the number of students, the type of facility (elementary, secondary, etc.), the construction costs, and the relative wealth of the district

In order to protect public funds and to ensure competitive prices, state law requires competitive bidding for certain school construction projects whether or not state reimbursement is sought.

Because of growing concerns on the magnitude of dollars expended for school construction, the Legislature passed Act 34 in 1973. This law incorporated into the Pennsylvania School Code a requirement that school districts hold public hearings and request comments and suggestions from the public with respect to new construction or substantial additions to existing structures. Act 34, also called the Taj Mahal Act, does not apply to alterations of existing structures.

SCHOOL DISTRICT BONDS

In some cases, especially for major construction projects such as a new school, borrowing from a bank may not be feasible or even desirable. School districts generally will issue government bonds for major construction projects. A bond is a written promise that the borrower will pay back a specified amount with interest at a fixed-rate to the lender at a certain time in the future. The interest is usually paid in equal time frames, which are described on the bond. For school districts, interest payments are generally paid twice a year with some of the principal, or the base amount borrowed, paid annually. Issuing bonds enables a school district to:

- Borrow large amounts of funds usually at a relatively low interest rate compared with borrowing from a bank
- Specify the time frame for the borrowing (usually for a long period - legally up to 40 years)
- Determine within limits the amount of annual payments
- Design other factors to tailor the bond issue to the district's needs

A bond rating is a grade given to bonds that indicates their credit quality. Private, independent rating services, such as Moody's, Standard and Poor and Fitch provide these evaluations of a bond issuer's financial strength, or its ability to pay a bond's principal and interest in a timely fashion. Bond ratings are expressed as letters ranging from Aaa to C ("junk"), which is the lowest grade.

Recently Moody's Investor Services reviewed and assigned a rating of Aaa to LMSD. We are one of a very select group of municipal organizations with this rating. In their report Moody's cited the strengths of the school district to be a large tax base with above average wealth levels, strong reserve and equity levels and limited dependence on state aid. This rating assures the community that our bonds are of the highest quality and should receive the lowest rates available.

Issuing bonds is a complex procedure that generally takes at least eight weeks. The sale requires using financial advisors, underwriters, school district's counsel, and bond counsel (attorneys versed in tax and other implications of

bond financing). A series of financial documents including a Preliminary Official Statement (POS), similar to a prospectus in the private sector, is prepared and circulated to the potential buyers. The state also must approve the bond sale. Ultimately, the school board is responsible for incurring either bank or bonded debt.

SCHOOL FUND BALANCE

An important concept used in government accounting and reflected on the district's Annual Financial Report (AFR) is "fund balance." Fund balance is a measure of net financial assets, which is similar but not identical with equity or accumulated savings. The fund balance is equal to financial assets less financial liabilities.

Deposits are your assets and the bills you owe are your liabilities. What is left over is generally considered your available balance, or what is left for spending. A common misconception is that fund balance is a cash account, and therefore corresponds to the district's bank balance. As discussed above, fund balance represents the fund's total assets minus its liabilities (what a fund owns minus what it owes). Cash is an asset, but it usually is not a fund's only asset. The fund may also have liabilities, such as an accounts payable amount due a supplier that could result in a decrease in fund cash when they are paid.

A district with an appropriate fund balance can:

- avoid excessive short term borrowing thereby avoiding associated interest cost.
- accumulate sufficient assets to make designated purchases or cover unforeseen expenditure needs.
- demonstrate financial stability and therefore preserve or enhance its bond rating, thereby lowering debt issuance costs.

The most commonly asked question regarding fund balance is how large should it be? Perhaps the best answer would be: "an amount sufficient that short term borrowing for cash flow could be avoided and would also allow the district to set aside sufficient assets to realize its longer range goals." However, this may not always be practical or politically possible.

Act 48 of 2003 regarding limitation on fund balance, prohibits a school district from increasing real estate taxes for a school year unless the school district has adopted a budget for such school that includes an estimated ending unreserved, undesignated (unassigned) fund balance which is not more than 8 percent of the total budgeted expenditures. For the 2016-17 budget, LMSD's unassigned fund balance is less than 5 percent.

In March 2009, the Governmental Accounting Standards Board (GASB) released GASB Statement #54 – Fund Balance Reporting and Governmental Fund Type

Definitions. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2010.

The fund balance classifications established by GASB Statement #54 are: non-spendable, restricted, committed, assigned and unassigned. Non-spendable are amounts that cannot be spent because they are either (1) not in a spendable form or (2) legally or contractually required to remain intact. Restricted is part of fund balance that is restricted to be spent for a specific purpose.

It is important to recognize that there is often a portion of the fund balance for a school district that is committed and can only be used for specific purposes as a result of formal action by the school's highest level of authority (in most cases this would be the school board). Assigned reflects the school's *intent* to use the money for a specific purpose but is not considered restricted or committed. Unlike committed fund balances, assigned fund balances can be changed without formal action and do not need to be designated by the board. The unassigned portion of the fund balance can be used for any future district spending. Good financial practices suggest that districts maintain an adequate unassigned fund balance to cover district emergencies or other contingencies.

Financial statements and the fund balance provide valuable information on the financial activities and position of a school district. In general, a negative unassigned fund balance means the district's financial obligations are greater than its resources, and additional resources (possibly taxes) will be required to meet this gap. Similarly, a positive but decreasing unassigned fund balance must be reviewed by district officials in order to make sure there will be sufficient funds to meet future needs.

MISCELLANEOUS LMSD FACTS

School District Building Inventory

FACILITY	GROSS SF	TOTAL LAND (acres)
Elementary Schools		
Belmont Hills	84,893	7.79
Cynwyd	96,410	2
Gladwyne	94,668	14.27
Merion	87,257	8.7
Penn Valley	100,801	16.61
Penn Wynne	113,215	7.69
Middle Schools		
Bala Cynwyd	173,925	19.75
Welsh Valley	204,974	37.8
High Schools		
Harriton (New)	328,130	50
Lower Merion (New)	337,799	41
Other		
Arnold Field		(incl in LMHS)
District Administration Offices	98,519	(incl in LMHS)
Operations Facilities (4 locations)		
55 & 65 Rock Hill Rd	35,450	1.76
Matsonford Rd	13,870	3.28
425 Belmont Ave	10,344	1.16
Lower Merion Academy Building	5,116	(incl in BC)
Former St. Justin Martyr Church	<u>14,000</u>	<u>(incl in WV)</u>
Totals	1,799,371	210.91

Maintain 150 acres of turf

- 29 multi-use playing fields
- 2 artificial surface multi-purpose playing fields
- 4 running tracks (2 synthetic surface; 2 cinder)

77,416 SF of hard surface play area
17.81 acres of parking lot and drives

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. U.S. generally accepted accounting principles 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 assets and the statement of changes in net assets) 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.

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 proceed of specific revenue sources that are legally restricted to 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.

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.

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, 2015.

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 are 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

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 between the measurement date of the net pension 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 not 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 government 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.

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.

Governmental-Wide and Proprietary Fund Net Position

Government-wide and proprietary fund net assets 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: 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 assets 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 government fund financial statements, fund balance is 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 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.

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 expenditure toward restricted fund balances followed by committed fund balances and then to assigned fund balances before using unassigned fund balances.

E. Budgetary Information

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. 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.

F. 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 \$22,355,420, and the corresponding bank balance was \$22,355,282.

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.

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 federal deposit insurance, the aggregate amount of deposits in any financial institution shall not exceed the lesser of two-tenths of 1% of the assets of that institution or \$40,000,000 unless fully collateralized by the assets of the institution pledges in the name of the District at market value.

	Credit Rating	Fair Value
<u>Pooled Investments:</u>		
Pennsylvania School District Liquid Asset Fund:		
General Fund Accounts	AAA	\$ 31,514,373
Capital Reserve Fund Account	AAA	52,079
Food Service Fund Account	AAA	95,914
Trust and Agency Account	AAA	6,707,378
TOTAL		<u>38,369,744</u>
Pennsylvania Local Government Investment Trust:		
General Fund Accounts	AAA	16,246,834
Capital Projects Fund Account	AAA	11,476,445
Capital Reserve Fund Account	AAA	6,958,673
Debt Service Fund Account	AAA	102,561
Food Service Fund Account	AAA	716,916
Trust and Agency Account	AAA	504,275
TOTAL		<u>36,005,704</u>
Pennsylvania Treasurer's Investment Program:		
General Fund Accounts	AAA	276
Capital Reserve Fund Account	AAA	638,114
TOTAL		<u>638,390</u>
TOTAL POOLED INVESTMENTS		<u>75,013,838</u>
<u>Other Investments:</u>		
Certificates of Deposit: General Fund Accounts	Not Applicable	5,000,000
TOTAL INVESTMENTS		<u>\$ 80,013,838</u>

Hedging Derivative Instruments

As of June 30, 2015 the District was party to a contract for a derivative instrument. The fair value balance and notional amount of the derivative instrument outstanding at June 30, 2015, classified by type, and the change in fair value of the derivative instrument for the year then ended as reported in the 2015 financial statements is as follows (amounts in thousands):

	<u>Changes in Fair Value</u>		<u>Fair Values at June 30, 2015</u>		
	<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	<u>Notional</u>
Governmental Activities					
Cash flow hedges:					
Pay-fixed interest rate swaps	Deferred outflow Of resources	\$ (56)	Debt	\$(12,476)	\$76,320

Fair value - The swap had a negative fair value of \$12,476,334 at June 30, 2015. The fair value of the interest rate swap is derived from proprietary models based upon well recognized financial principles and reasonable estimates about relevant future market conditions.

Objective of the interest rate swap - As a means of minimizing interest rate fluctuations, the District entered into an interest rate swap in connection with its \$102 million Series of 2009 adjustable rate general obligation bonds. The intention of the swap was to effectively change the District's variable interest rate on the notes to a synthetic fixed rate of 4.041%.

Terms - The swap agreement terminates on April 1, 2027, but will be subject to earlier termination by the School District. The swap's notional amount of \$76,320,000 represents the notes' total balance outstanding as of the effective date of the swap on February 1, 2009 and is structured to match the principal schedule of the notes. Under the swap, the District pays interest at a fixed rate of 4.041% in exchange for the counterparty's agreement to pay interest at a floating rate equal to the Securities Industry and Financial Markets Association (SIFMA) Swap Index Rate which is designed to match the variable market rate on the bonds. The bond's variable-rate (Market Rate) is determined by the remarketing agent in accordance with defined interest rate adjustment dates, interest rate determination or reset dates, and interest rate periods.

Fair value - The swap had a negative fair value of \$12,476,334 at June 30, 2015. The fair value was derived from proprietary models based upon well recognized financial principles and reasonable estimates about relevant future market conditions.

Credit risk - As of June 30, 2015, the District was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, the District would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was rated AA by Fitch Ratings and Aa3 by Moody's as of June 30, 2015.

Basis risk - The District is exposed to basis risk on its pay-fixed interest rate swaps because the variable-rate payments received by the District on these hedging derivative

instruments are based on a rate or index other than interest rates the District pays on its hedged variable-rate debt, which is remarketed every 30 days. As of June 30, 2015, the SIFMA swap index was .07 percent and the Market Rate on the bonds was .07 percent.

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:

	General	Nonmajor and Other Funds	Total
Real Estate Taxes	\$ 2,793,362	\$ 0	\$ 2,793,362
Local Services Taxes	40,531	0	40,531
Transfer Taxes	367,992	0	367,992
NET TAXES RECEIVABLE	<u>\$ 3,201,885</u>	<u>\$ 0</u>	<u>\$ 3,201,885</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 \$2,683,988 in the governmental funds were as follows:

Interfund Receivables, Payables and Transfers

The composition of interfund balances as of June 30, 2015 is as follows:

	Interfund Receivables	Interfund Payables
General Fund	\$ 3,656,629	\$ 5,052,084
Capital Reserve Fund	4,770,000	0
Agency Fund	139,565	3,517,246
Food Service Fund	207,785	204,649
	<u>8,773,979</u>	<u>\$ 8,773,979</u>

Interfund transfers were as follows:

	Transfer to Other Funds	Transfer From Other Funds
General Fund	\$ 4,917,933	\$ 0
Capital Reserve Fund	0	4,770,000
Food Service Fund	0	8,368
Activities Fund	0	139,565
	<u>\$ 4,917,933</u>	<u>\$ 4,917,933</u>

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

Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital Assets:				
Land	\$ 20,636,896	\$ 0	(993,773)	\$ 19,643,123
Land Improvements	2,198,127	0	0	2,198,127
Buildings	443,998,305	8,042,808	0	452,041,113
Construction in Progress	6,003,749	13,231,372	(8,042,808)	11,192,313
Furniture and Equipment	7,214,757	206,087	(215,832)	7,205,012
Transportation	13,861,995	554,364	(905,922)	13,510,437
TOTAL CAPITAL ASSETS	<u>493,913,829</u>	<u>22,034,631</u>	<u>(10,158,335)</u>	<u>505,790,125</u>
Accumulated Depreciation for:				
Land Improvements	2,092,415	17,892	0	2,110,307
Buildings	69,485,148	8,754,948	0	78,240,096
Furniture and Equipment	5,716,096	434,698	(215,832)	5,934,962
Transportation	5,241,703	1,012,711	(859,305)	5,395,109
TOTAL ACCUMULATED DEPRECIATION	<u>82,535,362</u>	<u>10,220,449</u>	<u>(1,075,137)</u>	<u>91,680,474</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET				
	<u>\$ 411,378,467</u>	<u>\$ 11,814,382</u>	<u>\$ (9,083,198)</u>	<u>\$ 414,109,651</u>
<u>Business-Type Activities:</u>				
Capital Assets:				
Machinery and Equipment	\$ 125,345	\$ 0	\$ (3,082)	\$ 122,263
Accumulated Depreciation for:				
Machinery and Equipment	<u>65,144</u>	<u>15,907</u>	<u>(3,082)</u>	<u>77,969</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET				
	<u>\$ 60,201</u>	<u>\$ (15,907)</u>	<u>\$ 0</u>	<u>\$ 44,294</u>

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

Governmental Activities - Unallocated	\$ 10,220,249
Business-Type Activities	15,907
TOTAL	<u>10,236,155</u>

Bonds Payable:

	Principal Outstanding <u>July 1, 2014</u>	<u>Maturities</u>	<u>Additions</u>	Principal Outstanding <u>June 30, 2015</u>
General Obligation Note Series of 1989	\$ 21,700,000	\$ 1,900,000	\$ 0	\$ 19,800,000
General Obligation Bonds, Series A of 2006	32,575,000	170,000	0	32,405,000
General Obligation Bonds, Series of 2007	61,865,000	2,050,000	(31,240,000)	28,575,000
General Obligation Bonds, Series A & B of 2009	81,055,000	4,735,000	0	76,320,000
General Obligation Bonds Series of 2012	20,330,000	4,835,000	0	15,495,000
General Obligation Bonds Series A of 2012	47,005,000	775,000	0	46,230,000
General Obligation Bonds Series of 2013	9,805,000	5,000	0	9,800,000
General Obligation Bonds Series of 2014	9,980,000	0	0	9,980,000
General Obligation Bonds Series A of 2015	0	0	9,700,000	9,700,000
General Obligation Bonds Series B of 2015	<u>0</u>	<u>0</u>	<u>31,880,000</u>	<u>31,880,000</u>
TOTAL	284,315,000	14,470,000	10,340,000	280,185,000
Less: Deferred Amounts:				
Issuance Premium (Discount)	7,464,792	(952,366)	2,957,934	9,470,360
Refunding Deferred Charge	<u>(2,183,628)</u>	<u>296,060</u>	<u>(2,936,877)</u>	<u>(4,824,445)</u>
LONG-TERM DEBT	<u>\$ 289,596,164</u>	<u>\$ 13,813,694</u>	<u>\$ 10,361,057</u>	<u>\$ 284,830,915</u>

Bonds payable at June 30, 2015 consisted of:

Current
Outstanding
Principal

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, 2015 was 0.78%

\$ 19,800,000

General Obligation Bonds, Series A of 2006. Original principal of \$33,250,000, maturing May 15, 2023, bearing interest from 4.00% to 4.38%. Interest is paid semi-annually on May 15 and November 15

32,405,000

General Obligation Bonds, Series 2007. Original principal of \$70,900,000, maturing September 1, 2032 bearing interest from 3.70% to 5.00%. Interest is paid semi-annually on March 15 and September 15

28,575,000

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, 2015 was 0.05%

76,320,000

General Obligation Bonds, Series 2012. Original principal amount of \$30,835,000, maturing May 15, 2018, bearing interest from 2.00% to 5.00%. Interest is paid semi-annually on March 15 and November 15

15,495,000

General Obligation Bonds, Series A 2012. Original principal amount of \$47,015,000, maturing November 12, 2028, bearing interest from 2.00% to 5.00%. Interest is paid semi-annually on March 15 and November 15

46,230,000

General Obligation Bonds, Series 2013. Original principal amount of \$9,810,000, maturing November 15, 2024, bearing interest from 1.00% to 2.00%. Interest is paid semi-annually on March 15 and November 15

9,800,000

General Obligation Bonds, Series 2014. Original principal amount of \$9,980,000, maturing November 15, 2025, bearing interest from 2.00% to 2.35%. Interest is paid semi-annually on March 15 and November 15

9,980,000

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

9,700,000

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

31,880,000

Total Principal Outstanding as of June 30, 2015

\$280,185,000

The annual requirements to amortize all debts outstanding as of June 30, 2015, are as follows:

<u>Year Ended</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2016	\$ 7,555,470	\$ 16,210,000	\$ 23,765,470
2017	7,375,582	17,065,000	24,440,582
2018	6,877,064	17,835,000	24,712,064
2019	6,308,626	19,600,000	25,908,626
2020	5,714,776	20,485,000	26,199,776
2021-2025	19,355,681	114,395,000	133,750,681
2026-2030	7,495,634	57,465,000	64,960,634
2031-2035	1,320,988	17,130,000	18,450,988
TOTAL	62,003,821	280,185,000	342,188,821

Swap Payments and Associated Debt

Hedging derivative instrument payments and hedged debt - As of June 30, 2015, aggregate debt service requirements of the District's debt and net receipts/payments on associated hedging derivative instruments are as follows. These amounts assume that current interest rates on variable-rate bonds and current reference rates of hedging derivative instruments will remain the same for their term. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the hedging derivative instruments will vary. Refer to Note 4 for information on derivative instruments.

<u>Year Ended:</u>	<u>Bonds with Associated Derivatives</u>		<u>Interest Rate</u>	<u>Totals</u>
	<u>Principal</u>	<u>Interest</u>	<u>Swap, Net</u>	
2016	\$ 4,925,000	\$ 688,017	\$ 3,032,391	\$ 8,645,408
2017	5,135,000	644,132	2,836,893	8,616,025
2018	5,355,000	598,375	2,633,059	8,586,434
2019	5,590,000	550,657	2,420,494	8,561,151
2020	5,840,000	500,844	2,198,603	8,539,447
2021-2025	33,600,000	1,673,193	7,291,596	42,564,789
2026-2027	15,875,000	231,754	956,146	17,062,900
	\$ 76,320,000	\$ 4,886,972	\$ 21,369,182	\$ 102,576,154

Defeased Bonds

As a result of certain bond refundings which require that funds be placed in escrow, the District has defeased bonds. Escrow accounts were established to provide for future debt service on the defeased bonds. Defeased bonds are no longer outstanding under the Pennsylvania Local Government Unit Debt Act. The escrow accounts assets and the liabilities for the defeased debt below are not included in the District's financial statements.

	<u>Call Date</u>	<u>Interest Rate</u>	<u>Outstanding Principal at June 30, 2015</u>
General Obligation Bonds Series of 2007 (Refunded portion)	8/31/2017	3.70 – 5.00%	\$31,240,000

Accrued Post Employment Benefits and Compensated Absences

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2015</u>
Accrued Compensated Absences	\$ 2,315,507	\$ 0	\$ 162,668	2,152,839
Accrued Other Post-Employment Benefits	3,884,405	556,727	0	4,441,132
 TOTAL	 \$ 6,199,912	 \$ 556,727	 \$ 162,668	 \$ 6,593,971

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 various contractors who performed construction services for the District, 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.

Employee Retirement Systems and Pension Plans

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.

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%.

Employer Contributions

The school districts' contractually required contribution rate for fiscal year ended June 30, 2015 was 20.50% 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 \$22,610,752 for the year ended June 30, 2015.

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

At June 30, 2015, the District reported a liability of \$336,594,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014 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, 2013 to June 30, 2014. 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, 2014, the District's proportion was .008504%, which was a decrease of \$19,265,000 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$27,974,000. At June 30, 2015, 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	\$ 0	\$ 0
Changes in assumptions	0	0
Net difference between projected and actual investment earning	0	24,063,000
Changes in proportions	0	6,235,000
Difference between employer contributions and proportionate share of total contributions	0	0
Contributions subsequent to the measurement date	22,610,752	0
	<u>\$ 22,610,752</u>	<u>\$ 30,298,000</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date of \$22,610,752 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. 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:	
6/30/2015	\$ 7,518,000
6/30/2016	7,518,000
6/30/2017	7,518,000
6/30/2018	7,518,000
6/30/2019	226,000
Thereafter	<u>\$ 30,298,000</u>

Actuarial assumptions

The total pension liability as of June 30, 2014 was determined by rolling forward the System's total pension liability as of the June 30, 2013 actuarial valuation to June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay
- Investment return - 7.50%, includes inflation at 3.00%
- Salary increases - Effective average of 5.50%, which reflects an allowance for inflation of 3.00%, real wage growth of 1%, and merit or seniority increases of 1.50%
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females.

Employee Retirement Systems and Pension Plans (Continued)

The actuarial assumptions used in the June 30, 2013 valuation were based on the experience study that was performed for the five-year period ending June 30, 2010. The recommended assumption changes based on this experience study were adopted by the Board at its March 11, 2011 Board meeting, and were effective beginning with the June 30, 2011 actuarial valuation.

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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public markets global equity	19%	5.0%
Private markets (equity)	21%	6.5%
Private real estate	13%	4.7%
Global fixed income	8%	2.0%
U.S. long treasuries	3%	1.4%
TIPS	12%	1.2%
High yield bonds	6%	1.7%
Cash	3%	0.9%
Absolute return	10%	4.8%
Risk parity	5%	3.9%
MLPs/Infrastructure	3%	5.3%
Commodities	6%	3.3%
Financing (LIBOR)	<u>(9%)</u>	1.1%
	<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, 2014.

Discount rate

The discount rate used to measure the total pension liability was 7.50%. 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 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1- percentage point lower (6.50%) or 1-percentage point higher (8.50%) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
District's proportionate share of the net pension liability	\$ 419,855,000	\$ 336,594,000	\$ 265,513,000

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.

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 40% for employees with 7 years of service to 80% 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

As established by either collective bargaining or school policy, all groups are entitled to receive benefits at retirement until Medicare eligibility age. Spouses and family are included in the coverage. A retiree can elect a higher coverage but the retiree must pay the difference in the premium cost. The District is responsible for funding the balance of the benefits.

As of June 30, 2015 the District has no segregated assets to fund this liability. It is the intention of the District to pay the premium each year as it comes due.

Funding Progress

As of February 1, 2014, the date of the most recent actuarial report, the actuarial accrued liability for benefits was \$8,691,202, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$101,937,918 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 8.53%.

Projections of benefits for financial reporting purposes involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplemental information following the notes to the financial statements, presents information about the actuarial value of the plan assets. In subsequent years, this schedule will present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities.

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 February 1, 2012 actuarial valuation, the following actuarial assumptions were used:

Interest	4.5%
Amortization Method	Level dollar method at the valuation interest rate
Amortization Period	14 years
Salary Increases	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 0.25%

Annual OPEB Cost and NET OPEB Obligations:

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 14 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 obligation.

	2015
Annual OPEB Cost:	
Normal Cost	\$ 552,089
Amortization of Unfunded Actuarial	
Accrued Liability	850,178
Interest on Net OPEB Obligation	174,798
Adjustment to ARC	(379,975)
ANNUAL OPEB COST	\$ 1,197,090
Net OPEB Obligation:	
Normal OPEB Obligation year beginning July 1	\$ 3,884,405
OPEB Cost for the year ended June 30	1,197,090
Contributions	(640,363)
NET OPEB OBLIGATION	\$ 4,441,132

The District's annual OPEB cost, the percentage of annual OPEB cost contributed, and the net OPEB obligation for the year ended June 30, 2015 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	\$ 1,287,809	57.19%	\$ 3,365,304
June 30, 2014	1,255,683	58.66%	3,884,405
June 30, 2015	1,197,090	53.49%	4,441,132

Deficit Net Position

A deficit of \$140,630,264 exists in the District-wide net position as of June 30, 2015 (the net pension deficit for governmental activities as of June 30, 2015 is \$138,031,543 and the net position deficit for business-type activities as of June 30, 2015 is \$2,598,721). 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*.

Fund Balance

Fund balance of the General Fund consists of the following at June 30, 2015:

Nonspendable:

Prepaid Expenses	\$	288,103
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Committed:

Future Capital Projects	10,000,000	
Future PSERS Obligations	21,300,000	
Future Postemployment Healthcare Benefits	4,000,000	
Rate stabilization of Variable Interest Rate Bonds	<u>500,000</u>	35,800,000

Unassigned		<u>20,174,232</u>
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TOTAL	\$	<u>56,262,335</u>
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Prior Period Adjustment

Net position (deficit) as of June 30, 2014 has been restated as 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*. The statement required the inclusion of the net pension liability related to the pension plans on the statement of net position for the governmental activities and business-type activities. The effect of the restatement was to reduce District-wide net position (deficit) as of July 1, 2014 by \$338,918,000 (net position for governmental activities was reduced \$335,539,506 as of July 1, 2014 and net position (deficit) for business-type activities was reduced by July 1, 2014 by \$3,378,494).

Subsequent Events

The District has evaluated subsequent events through December 11, 2015, which represents the date the financial statements were available to be issued.

CAPITAL PROGRAM UPDATE

Enrollment Expansion Projects

After experiencing an increase in enrollment from 2008 to 2011, the District commissioned an enrollment projection study, published in June 2012 that predicted continuing enrollment increases. As a result, several schools required additional classroom space to accommodate the projected enrollment. After conducting a series of public meetings from June to December of 2012, the Board of School Directors approved projects to renovate and add space to Gladwyne and Penn Valley Elementary Schools and Bala Cynwyd and Welsh Valley Middle Schools. The cost of these projects, completed in the fall of 2015, was approximately \$25 million. Actual enrollment in the fall of 2014 exceeded the 2012 projections by approximately 1%. The Board commissioned an enrollment study update, published in April 2015. The projections in this report, updated with actual September 2015 enrollment figures (8,341 students), predict an additional 1000 students by 2020 and an additional 460 students by 2024.

Currently, there are two areas of concern with respect to enrollment growth. At Lower Merion High School, administrators have identified a shortage of bio-chemistry labs necessary to continue the educational program, beginning with the 2016-2017 school year. As a result, the board is expected to approve a project to renovate classrooms on the third floor of the District Administration Office that will create five multi-purpose science labs. The project will also upgrade HVAC and restrooms, work that was omitted from the previous renovation project completed in 2012. The new work is planned to begin in late spring 2016 and have science labs ready for school in September. Work will continue on second shift after the school year begins in order to complete the remainder of the work. The estimated total cost of this project is \$5.5 million.

The second area of concern is instructional space at elementary schools, where the largest enrollment growth has occurred in recent years. While all schools are nearing or at their maximum capacity, Penn Wynne is clearly in need of additional classroom space, despite having converted the Large Group Instruction room into two grade level classrooms in the summer of 2015. In order to insure enough space for the 2016-17 school year and allow time to develop a more comprehensive plan for the elementary schools, the District is implementing a short term plan for 2016-17. Four temporary classrooms will be installed at Penn Wynne in the summer of 2016.

The purpose of the short term actions is to provide more time for the School Board to consider and adopt a long term plan, which it hopes to complete in April or May of this year. However, it is very possible that the long term plan will be incremental in nature, with decisions to add temporary or permanent space being made on a year to year basis after analysis of each year's September enrollment

numbers, most recent birth data and subsequent update of enrollment projections.

Generally, the administration will not add a class to a grade level, unless all classes at that grade level exceed one more student than the guideline. In addition, the School Board approved a partner school policy, effective with the 2016-17 school year that will cap class sizes and move students who register after June 1, where there is no space available, to schools other than their "home" school where space is available within the class size guideline.

CAPITAL RESERVE PROGRAM

A capital program began in the late 1990's to address major building systems that were to be replaced or upgraded as part of renovation and expansion projects. Many building elements such as roofs, windows, and masonry exteriors were considered to have remaining useful life and were not repaired or replaced at the time of the major project. Other facility modification requirements result from changes in educational programs, requirements for security and safety upgrades, or result from normal use and material deterioration. In order to address these major repair requirements, Lower Merion School District has, for many years, followed a program of using Capital Reserve funds to accomplish these types of projects. Capital Reserve Funds are those funds set aside each year from the operating budget and held as a reserve. State law limits the use of these funds to purchase school buses, capital items and performing major maintenance and repair projects.

Some examples of projects completed or in progress in the current fiscal year are:

- Egress Modifications at Cafeteria – Lower Merion High School
- Install Projector in Auditorium – Bala Cynwyd
- Construct Paved Pathway at Arnold Field – Lower Merion High School
- Install Security Fencing/Gates – Belmont Hills, Cynwyd, Merion, Penn Wynne
- Gym Lighting Upgrades for Energy Efficiency – various schools
- Re-Surface Running Track – Harriton HS
- Construct Small Group Instruction Rooms and Convert LGI to Classrooms – Penn Wynne ES
- Roof Repairs – Penn Valley ES
- Install Fiber optic Line to Arnold Field – Lower Merion HS
- Repairs to Dry Sprinkler System – Merion ES
- Repair Classroom Courtyard Paving – Penn Valley ES

The District maintains a 5-Year Facilities Improvement Plan that captures major maintenance requirements and prioritizes them. The plan is updated annually.

Projects proposed for the 2016-2017 budget year are:

Project	Estimated Cost
Roof Repairs - Gladwyne	500,000
Replace Steam Boilers/Energy Efficiency Upgrades – Bala Cynwyd	700,000
Replace lockers, 3d Floor – Bala Cynwyd	50,000
Roof Repairs to Gym – Penn Valley	50,000
Modify School Zone Flashing Signals – Penn Valley	40,000
Replace Canopy over Door 15 – Penn Wynne	20,000
Install School Zone Flashing Signal (Trent Rd.) – Penn Wynne	35,000
Asphalt Repairs – Cynwyd and Welsh Valley	500,000

SPECIAL EDUCATION SUPPORTS AND SERVICES IN LOWER MERION SCHOOL DISTRICT

The Lower Merion School District has a long history of providing a continuum of outstanding special education supports and services to children with disabilities from kindergarten through twelfth grade. These supports and services reflect the District's commitment to excellence and to meeting the individualized needs of each student within the least restrictive environment appropriate to provide the student with meaningful benefit.

The special education supports and services provided by the District to its students with disabilities continue to reflect the changing educational needs of the students in our community. A snapshot of these programs and services includes:

- A comprehensive School Age Transition Team that works collaboratively with families, community based early intervention programs, the Montgomery County Intermediate Unit, and District staff to determine the appropriate educational program within the District for children transitioning from pre-school into kindergarten. The School Age Transition Team evaluates and develops educational programs for an increasing number of young children eligible for special education supports and services entering the District.
- The District also has a Diagnostic Kindergarten class for eligible students, which provides opportunities for specialized support and continuing evaluation of student needs while the child participates in kindergarten learning experiences.
- The number of students that access the District's Autistic Support services continues to increase. The District offers a continuum of supports and services for students requiring Autistic Support. The services available in the District have continued to expand to meet the increasing needs within our community.
- The District also offers a continuum of supports and services for students requiring Emotional Support. Emotional Support teachers at the elementary and secondary levels work with eligible students and relevant staff to support the students' emotional and behavioral needs. Students that receive these services and supports may also interact with a clinical team composed of the school psychologist and school counselor, as well as the school social worker.
- The purpose of post-secondary transition planning is to prepare students that receive special education supports and services for life after high school, including employment, post-secondary educational opportunities, and independent living. In order to meet the post-secondary transition needs of our secondary students, the District's Special Education Coordinator for Grades 7-12+ and Transition serves as a consultant to professional staff and IEP teams. Additionally, job coaches provide support for students within community-based work placements. The services and supports have been an important contributing factor in the success of our graduates in college, vocational training and the work force.
- Each year the IEP team for every student receiving special education services and supports reviews the student's eligibility for Extended School Year (ESY) services. Comprehensive ESY programs and services have been established by the District to

meet the educational needs of eligible students within the least restrictive environment. Appropriate ESY services are determined based upon the educational needs of each individual child. ESY services may include a District summer program with varying levels of participation in the general education summer program setting, appropriate related services, or other models of service delivery based on the individual student's educational needs.

- An important factor in the success of the District in meeting the changing educational needs of the community is the highly qualified staff that works each day with students, parents, and colleagues. District staff provides quality educational programming that addresses each student's individual needs.
 - In addition to instructional staff, all schools have school counselors, speech and language therapists, a school psychologist, occupational therapists, and physical therapists that provide additional services to students demonstrating particular needs.
 - Behavioral consultants work with students and staff across the District to address significant behavioral issues impacting a student, as needed.
 - The secondary schools also have the services of school social workers and mental health counselors to support students.

In order to continue providing students with a high quality educational program, extensive professional development is provided to professional and paraprofessional staff throughout the school year and during the summer.

- The District provides educational programs in the least restrictive environment within District schools for the majority of students; however, there are a small number of students residing in the District whose unique educational needs require more intensive services than can be provided within the District. For each of these students, an out of district educational program that appropriately meets his or her educational needs is secured and the student's progress monitored through the Student Services department. A District team works cooperatively with the staff at the non-district school, the student, and the parents/guardians to ensure the student continues to progress in the least restrictive environment appropriate for his or her needs, and that the student returns to District programming when appropriate.
- The District values its positive relationship with parents and guardians, and views them as partners in the planning for students' educational needs. The Committee for Special Education (CSE) is a long standing parent-led volunteer organization serving families of students with an IEP, GIEP or 504 Service Agreement. The Committee for Special Education presents informative evening sessions to parents and guardians on a monthly basis and covers various topics. Speakers for these programs have included both professional staff from the District and various guest speakers. The continuing success of the District in meeting the educational needs of students with disabilities is due to the positive relationships of all individuals involved – students, parents/guardians, and staff.

INFORMATION SYSTEMS DEPARTMENT

The Information Systems Department will focus its 2016-17 budget on instructional technology programs such as One to One laptops and kindergarten iPads, annual costs associated with software licensing and support for infrastructure systems, annual maintenance costs for security and compliance products, and other related expenses such as telecommunications, network, and Internet access services.

Foremost, the Information Systems Department will continue to support the One-to-One laptop initiative in the high schools. The One-to-One laptop initiative provides Apple laptops to all Harriton High School and Lower Merion High School students upon entry their freshman year. The students are permitted to use the Macbook computers throughout the academic day, as well as off of campus.

In addition to providing Apple laptops to the high schools in support of the One-to-One laptop program, new computers will be provided to the middle schools and elementary schools to replace computers going out of service. The ratio of students to computers at the middle schools and elementary schools is slightly better than 1.5 to 1 and 2 to 1, respectively. iPads deployed in kindergarten classrooms will be replaced as well. The ratio of iPads to kindergarten students is 1 to 1. During the 2016-17 fiscal year, it is anticipated that 54% of the Information Systems Department's budget will be used to purchase instructional hardware devices.

A large portion of the Information Systems Department's budget is dedicated to maintaining the day to day operations of the District's technology resources and infrastructure. Examples of operational costs are annual software licenses for products such as Microsoft Office and Powerschool, as well as maintenance support for critical network and communications equipment, like the District voice of IP phone system. During the 2016-17 fiscal year, it is anticipated that 20% of the Information Systems Department's budget will be used for annual hardware and software maintenance costs.

Another ongoing maintenance cost concerns telecommunications, Internet access, and the District's fiber optic metropolitan area network. An estimated 4% of the Information Systems Department's budget will be spent maintaining these services.

The Information Systems Department is charged with the security of the District's technology infrastructure, data, and end-user devices. During the 2016-17 fiscal year, it is anticipated that 5% of the Information Systems Department's budget will be used for the maintenance of security and compliance products, such as web filtering, endpoint anti-virus, and security incident and event management managed services. Further, the majority of the 5% of the budget designated for new initiatives will be used to purchase network related security technology.

The remaining 12% of the Information Systems Department's budget will be expended on replacing equipment reaching the end of its life cycle, personnel overtime, outsource services, training, and supplies.

LOWER MERION SCHOOL DISTRICT HIGHLIGHTS

STUDENT ACHIEVEMENT

LMSD Five Year History

Scholastic Aptitude Scores and

SAT Reading, Writing & Math Averages	2011	2012	2013	2014	2015
Lower Merion District	1737	1797	1757	1779	1790
PA	1465	1472	1480	1481	1485
National	1483	1483	1498	1497	1490

National Merit Scholars

National Merit Scholarship Qualifying Test						
Class of	2011	2012*	2013*	2014*	2015*	2016*
Semifinalists	15	30	23	21	18	22
Commended	45	31	49	40	47	48

*2012 Two National Hispanic Recognition Program eligible students

*2013 One National Achievement Scholarship Program Finalist

*2014 Two National Achievement Scholarship Program Finalist

*2015 One National Achievement Scholarship Program Finalist

PSSA Scores

LMSD Grades 4, 8, 11
Three Year View of Achievement 2013-2015
Pennsylvania System of School Assessment (PSSA)
% of Student at Each Level

READING

GRADE 4 READING	2013	2014	2015/New PA Core ELA
Below Basic	3%	2%	2%
Basic	7%	5%	11%
Proficient	27%	23%	31%
Advanced	63%	70%	56%

PSSA Scores
LMSD Grades 4, 8, 11
Three Year View of Achievement 2013-2015
Pennsylvania System of School Assessment (PSSA)
% of Student at Each Level

READING CONTINUED

GRADE 8 READING	2013	2014	2015/New PA Core ELA
Below Basic	1%	2%	2%
Basic	3%	2%	13%
Proficient	9%	12%	51%
Advanced	87%	84%	34%

GRADE 11 READING/LITERATURE	2013 (Keystone LITERATURE 11 th Grade)	2014 (Keystone LITERATURE 10 th Grade)	2015 (Keystone LITERATURE 10 th Grade)
Below Basic	1%	1%	1%
Basic	5%	12%	6%
Proficient	67%	69%	69%
Advanced	27%	18%	24%

MATH

GRADE 4 MATH	2013	2014	2015/New PA Core
Below Basic	3%	1%	4%
Basic	3%	2%	12%
Proficient	13%	10%	27%
Advanced	81%	87%	57%

GRADE 8 MATH	2013 PSSA / ALG. I*	2014 PSSA / ALG. I*	2015 PSSA PA Core/ ALG. I*
Below Basic	3 % / 7%	3% / 7%	14% / 5%
Basic	6 % / 31%	5% / 22%	28% / 24%
Proficient	20% / 41%	13% / 32%	39% / 32%
Advanced	71 % / 21%	79% / 39%	19% / 39%

*scores attributed to students their junior year

RECOGNITIONS

Lower Merion School District takes pride in the national, state, and local recognition its schools receive for its programs and achievements. The Pennsylvania Department of Education has recognized for excellence all of our eligible schools. Additionally, six of our schools - Cynwyd, Merion, and Penn Wynne elementary schools; Bala Cynwyd and Welsh Valley middle schools; and Harriton High School - have been awarded the prestigious Blue Ribbon Award from the United States Department of Education. Both Harriton High School and Bala Cynwyd Middle School have won the award twice.

LMSD RECENT POINTS OF PRIDE

- LMSD is Pennsylvania's first and one of only 14 school districts nationwide to receive the U.S. Department of Education's prestigious Green Ribbon Schools District Sustainability Award, selected for its exemplary efforts to reduce environmental impact and utility costs, promote better health, and ensure effective environmental education.
- For the sixth consecutive year, LMSD has been named one of the *Best Communities for Music Education* by the NAMM Foundation honoring schools for exceptional efforts to maintain music education as part of the core curriculum and for the breadth and quality of the musical program.
- LMSD ranked as one of top five districts in country in 2015 by Business Insider/niche.com. LMSD teachers earned the #1 ranking in PA.
- LMSD was named to the College Board's *5th Annual AP Honor Roll* for the second consecutive year - a distinction awarded to districts that have opened the AP classroom doors to a significantly broader pool of applicants while improving the percentage of students earning scores of 3 or higher. Last year, more than 86% of students at Harriton and Lower Merion scored either a 3, 4, or 5 on AP exams.
- LMSD was featured in a *Philadelphia Magazine* report on the area's "Best Places to Raise Kids," highlighting the communities of Narberth and Wynnewood as magnets for young families due to their access to great public schools.
- *U.S. News & World Report* once again ranked Lower Merion and Harriton high schools among the best at both the state and national levels.
- During the past seven years, 445 LMSD seniors – representing an average of nearly 12% of each graduating class – have been recognized through the National Merit Scholarship Program.
- The 2016 Mr. Harriton and Mr. Lower Merion events combined to raise more than \$27,000 for the Lower Merion Township Scholarship Fund, the Leukemia & Lymphoma Society, the Ardmore ABC House and the HSC Cookie Grant.
- LMSD is one of a handful of school systems in PA to earn Moody's highest (Aaa) credit rating, reflecting the District's commitment to fiscal responsibility and strong financial position.
- For the fourth consecutive year, the LMSD transportation department was selected as one of the *Green Fleet Forum's "100 Best Fleets in North America,"* a program that encourages and identifies ever-increasing levels of performance improvement within the fleet industry.
- LMSD Technology Student Associations (TSA) delegations excelled at the 2015 State Conference compiling more than 100 top-ten finishes including 10 state championships.
- A combined 23 students from the Harriton and Lower Merion high school Technology Student Association (TSA) programs recently traveled to Dallas, Texas to participate in the National TSA competition, where the Lower Merion School District contingent recorded an outstanding all-around performance, including two National Championships, a National runner-up and six additional finalists.

- The Harriton High School Science Olympiad team recently captured seven gold medals and six silver medals en route to capturing the Pennsylvania State Science Olympiad Championship, besting 35 other top-qualifying high schools from throughout the state. This marks the 17th title for Harriton in the last 18 state competitions.
- LMHS was one of only 200 schools and districts in the U.S. and Canada to be recognized as a *Model Professional Learning Community* for sustained success in raising student achievement.
- For the second consecutive year, District students participated in the *Hour of Code* – a global movement helping to demystify and spark a passion for computer programming.
- LMSD hosted its third annual Girls Leadership Conference focusing on female empowerment, leadership skills and more.
- LMSD launched the first District-wide *Energy and Resource Conservation Program*, which in just one month, has already helped reduce electricity use by more than 170,000 kilowatt hours and eliminate 200,000 pounds of carbon emissions in just one month - the equivalent of planting roughly 215,000 mature trees.
- All ten LMSD schools have been named "No Place for Hate" schools by the Anti-Defamation League, an initiative aimed at creating and sustaining inclusive school environments.
- Penn Wynne Elementary finished as the top contributing school in the 76ers' Read for Ronald Program for the fifth straight year, raising more than \$13,000 for families at the Ronald McDonald House.
- The District operates a social entrepreneurship incubator for high school students providing a space, resources, and mentorship with alumni and local businesses to help students create socially responsible business ventures.
- LMSD seniors once again earned admission to the finest colleges and universities in the nation, including all Ivy League universities and all of US News' top ten liberal arts colleges and national universities.
- A total of 135 LMSD student works placed at the PSEA Art Show in the past five years, the most from any district in Pennsylvania.
- Since its inception, District buildOn students have amassed more than 41,000 hours of service through 100+ service projects in the community and beyond volunteering their time to tutoring programs, elderly residency visits, delivering food to families in need, cleaning and beautifying parks, feeding the homeless, supporting fundraising efforts of various organizations, and much more.
- Over the past five years, the buildOn clubs have raised more than \$400,000 to build six new schools in deserving communities in Haiti, Nepal, Nicaragua and Malawi
- LMSD's Foreign Language in the Elementary School (FLES) program earned the Pennsylvania State Modern Language Association's Merit Award, recognized for its outstanding contributions to world language, cultural awareness and innovation in FLES.
- National, state, regional and district excellence in basketball, tennis, soccer, track & field, lacrosse, crew, cross-country, swimming and wrestling.

SERVICES

While LMSD is a public school system that is funded primarily through property tax dollars, from a business perspective it operates like a mid-sized company. Did you know the District provides the following?

- Free textbooks for all students (on average a textbook costs \$65)
- Numerous extracurricular and community service opportunities for all students
- Employs approximately 1,500 professional, non-instructional, and support staff
- After School Academic Enrichment Program for grades 4 and 5 students
- A well-subscribed summer school program—run for all school-aged children who reside in the District
- Extended Day Kindergarten Program

Nutritional Services

- Serve nutritious hot and cold breakfasts and lunches daily to students and staff.
- Free and reduced-price meals available for eligible families
- Kindergarten Snack Program
- Boxed Lunches for Class Field Trips
- Catering for various District activities, including classroom catering
- Serve over 2800 meals daily in the District's 10 schools
- Serve 125 meals daily to area satellite operation
- Host the Go for the Beans event for 2 days in the Elementary School Cafeterias in the Spring providing samples of select beans for each student, Presented by the Wellness Council.
- Purchase food and supplies for Consumer Science and Daycare

Safe Schools

- Safe, secure schools with warm, friendly environments for all students
- Security access for all visitors to all elementary schools
- Identification badges required
- Campus Aides—assigned to secondary schools

Health Services

- Certified School Nurses & Staff RNs provide services in public & non-public schools
- Address routine and complex health needs of students
- Participate in school, district and community based teams that support student achievement and student health
- Provide annual health screening and immunization programs for all students
- Provide education & training to staff, students and parents regarding health topics

Guidance

- Certified School Counselors in every school
- Child-centered programs
- Academic planning and development
- Career and college counseling
- Support groups, seminars, and workshops offered for students and parents

Transportation

- Over 10,000 students offered free bus service twice daily during the school year 2014-2015
- Buses cover 641 school bus routes and make over 5000 school bus stops daily
- Services 131 public, private, and parochial schools within the greater Philadelphia area
- Transports 2032 extracurricular trips annually, 1232 sports trips (1322 buses used) and 800 field trips (1074 buses used) (2014-2015 school year)
- Operates 120 transportation vehicles daily. Fleet logs over 1.5 million miles a year (2014-2015 school year)
- Transportation 300+ days a year: Non-Public schools are transported even when LMSD is closed; Weekend and Holiday Sports and extracurricular activity trips.
- 120 vehicles, 65 buses are fueled by Compressed Natural Gas (CNG), 33 Diesel and 22 Gas.
- Maintenance and repair of 168 vehicles (120 Buses, 39 District Support Vehicles). 1500+ maintenance work orders annually.
- The District has been the recipient of many awards for its transportation related environmental efforts. It is considered a national leader in clean fuel transportation, with two compressed natural gas fueling stations and sixty natural gas school buses. LMSD ranked as the 15th Greenest Government Fleet in North America Contest and 72nd in the 100 Best Fleets in North America for 2015.
- Our clean fuel buses have lower tailpipe emissions of nitrous oxides, particulate matter, carbon monoxide and greenhouse gases and directly address air quality issues in the Montgomery County and Philadelphia Air Quality non-attainment area.
- Grant funding will be awarded via the Pennsylvania Department of Environmental Protection Act 13 Heavy Duty Vehicle Program for four 72 passenger buses equipped to operate on compressed natural gas. The District has partnered with the Greater Philadelphia Clean Cities Coalition as part of an effort to expand use of natural gas vehicles in Montgomery County.
- Grant funding was awarded via the Pennsylvania Department of Environmental Protection Act 13 Heavy Duty Vehicle Program for four 72 passenger buses equipped to operate on compressed natural gas. The District has partnered with the Greater Philadelphia Clean Cities Coalition as part of an effort to expand use of natural gas vehicles in Montgomery County.
- Continuing efforts shall be conducted in the current year to apply for additional grant opportunities. An application was made to the USEPA Diesel Emission Reduction Program which if received will be used to assist with the purchase price of new buses.
- We incorporate biodiesel into our diesel fuel all year round.
- Outstanding safety record.

PROGRAM HIGHLIGHTS

District programs that focus on students make Lower Merion School District the special place it is. The highlights below demonstrate that the Strategic Plan and the District's Mission and Vision statements are living and working documents. Examples include:

- College Style Help Centers in High Schools
- IB – International Baccalaureate Diploma Program
- A comprehensive offering of Advanced Placement (AP) courses
- Penn State Dual Enrollment Program
- Virtual High School online courses
- Brandywine Virtual Academy courses
- Summer Literacy Opportunities: Young Readers/Young Writers and Write In
- Summer Math and Reading Tutorial (SMART) Programs
- Annual Art Shows
- Fran Emery Multicultural Resource Center
- One-to-one iPad program in Kindergarten; 2-to-1 iPad program in first grade
- One-to-one laptop program in the high schools
- Flipped classroom instruction
- Community Celebration Days
- Writing Centers
- Mathematics Labs at the Middle and High Schools
- Interdisciplinary Senior Project
- Visiting guest authors
- Bullying Prevention Programs
- Suburban/Urban Collaboration (Partner's Program)
- Before and After school programs—intramural, clubs, theater
- Technology and Engineering courses
- Pre-engineering courses
- Middle School Interdisciplinary Programs
- Mentoring Programs
- Career Symposiums
- One of the most extensive athletic programs in Pennsylvania
- Field Trips throughout the year to destinations such as: Lankenau, Temple Law School, National Liberty Museum, Eastern College, Barrack Academy, Barnes Foundation, Academy of Natural Sciences, National Constitution Center and Mimi-fest at Penn's Landing
- Foreign Language in the Elementary Schools (FLES) – begins in Grade 1
- Developmental Guidance Program
- Elementary and middle school Autistic Support Programs

- Comprehensive Emotional and Learning Support Programs at all levels
- Life Skills Programs
- Full range of services—speech and language therapy, occupational therapy, physical therapy, and applied behavioral analysis
- Specialized reading programs such as SRA and Wilson for identified students
- K-12 building-based Literacy Specialists
- Mathematics Support teachers to provide student support
- Partnerships with the Barnes Foundation, Lower Merion Historical Society, Harriton Plantation and Pennsylvania Writing and Literature Project
- Outstanding music and art programs – jazz bands, small ensembles, choruses, vocal groups, orchestras, bands, studio art, ceramics, and jewelry-making
- Dynamic K-12 curriculum development cycle
- Comprehensive Assessment System
- State-of-the-art technology to enhance and enrich instructional delivery and student experiences
- Extensive professional development programs
- Extensive range of secondary course offerings in core areas, the arts, technology, special area subjects, as well as an IB diploma program
- Becton Scholars and POWER Scholars Programs designed for additional support for students of color

MANDATES

LMSD is required to comply with many state and federal mandates. The following is a sample listing of several common mandates we deal with daily:

- Special Education requirements:
 - Individual education programs
 - Speech and language therapy
 - Occupational therapy
 - Related services such as speech/language therapy, occupational therapy, physical therapy, psychological services and counseling, orientation and mobility, nursing services and special transportation
 - Student evaluations
 - Emotional Support, Learning Support, Autistic Support, and Alternative educational programs
 - Transition postsecondary services
 - Assessments

- Gifted Education
 - Child find and universal screening procedures in grades one and two and general screening procedures in other grades
 - Individual Education Plans
 - Services aligned to state standards
 - Range of K-12 service options, including enrichment, independent study, and acceleration depending on the appropriateness for individual student strengths
 - Professional and family learning opportunities provided
- Health Screenings
- Extended School Year for Eligible Students
- Services for non-public school students
- Staffing (student/teacher ratios) in special education
- Strategic Planning – every six years
- Induction program for new teachers
- Professional development/Act 48 tracking
- No Child Left Behind
- English as a Second Language (ESL) program
- Student assessments
- Support students below proficient
- Transport all students who reside in the District to public, private and parochial schools

GOAL AREAS

Goals for Lower Merion School District

- ✓ Curriculum
- ✓ Student Achievement
- ✓ Achievement Gap
- ✓ Holistic Needs of Students
- ✓ Facilities
- ✓ Communications

Additional State Mandated Goals

- ✓ Mathematics & Reading
- ✓ Participation in State Assessments
- ✓ Student Attendance
- ✓ Graduation
- ✓ Educational Technology

❶ Curriculum: Integrated, Coherent, Culturally Proficient, Rigorous and Relevant

Strategy: Develop and implement an integrated, coherent, culturally proficient and rigorous curriculum with relevant instruction and assessment framework.

- **Communicate & Monitor Curriculum**
- **Curriculum Alignment**
- **Collaboration**
- Expanding our District-wide capacity for using data to guide instruction and curricular revisions K-12.
- Establishing consistent processes to implement 'Consensus mapping' of the curriculum to identify the content, skills, assessments & resources in each grade level and course.
- Aligning curriculum and assessments in elementary math reading and writing.
- Completing the development of aligned high school final exams in the core curricular areas.
- Reviewing curricula to establish a more aligned curriculum at each middle school.
- Alignment of curriculum and goals for GIEP's with PA Core Standards K-12.

- Research based reading, writing, math and science programs aligned to PA Core Standards have been implemented in K-5.

● Student Achievement

Strategy: To sustain and increase the number of students achieving at the proficient and advanced levels in the PSSA across all grade levels and content areas.

- Identify measures of success
- Increase standardized assessment scores for students in identified groups
- Establishing an infrastructure to assist teachers and administrators with data collection and analysis processes at the elementary, middle, and high school grade levels.
- Establishing longitudinal data on students' progress in reading, writing, and math with access through a web-based portal.
- Facilitating data analysis training in support of achievement teams and all staff K-12.
- Reviewing of student data to identify students with gifted potential.
- After School Program for grades 4 and 5 students.

● Achievement Gap

Strategy: To significantly decrease and/or eliminate the achievement gap for all African American students, and for other groups of students where data show that gaps exist.

- Identify/address the academic achievement needs of African American students and other students in identified groups
- Increase enrollment in higher level courses of African American students and other students in identified groups
- Increase number of African American students and other students in identified groups attending and graduating from higher education institutions
- Increase SAT and ACT scores for African American students and other students in identified groups
- Conduct monthly meetings for 50 Cultural Proficiency Cadre members.
- Conduct professional development on culturally proficient strategies for administrators.
- Coordinate attendance for teachers, building administrators, curriculum team members, and school counselors to attend Delaware Valley Minority Consortium (DVMSAC) workshops that focus on diversity and culturally proficient teaching strategies.
- Provide student advocacy and parental support for high school students.
- Work with staff and community agencies to provide adult mentors for students who are experiencing academic difficulties.
- Designed a week-long summer transition to high school program for students in need of support.
- Expanded instructional focus of new teacher orientation to include issues of cultural identity.
- Targeted recruitment for the IB program.
- Supported the development of student support programs and activities including Day of Service, CRAYONS, and Cross-Age Mentors.
- Revised the format of the CARE meetings and offered the Parents as Leaders course.

- Developed and completed the Road Map to Success.
- Review and revise current screening and child find procedures for gifted identification.

④ Holistic Needs of Students

Strategy: To further the goal of creatively developing a school and community environment that recognizes and addresses the holistic needs of our students, i.e., mental health, character, citizenship, self worth, etc.

- Student Stress and Mental Health
 - Student Character and Citizenship
 - Students' Sense of Self-Worth and Belonging
- Initiated reviews of school counseling services in cooperation with Interschool Council (ISC), CARE and external consultants.
 - Revised Policy 245 on Self-Harming Behaviors
 - Conducted training on issues of student identity
 - Surveyed teachers, administrators and counselors on school-to-school transition
 - Revised the CST model to the district-wide Achievement Team Model
 - Incorporated more data use
 - Included parents earlier in the dialogue
 - Formalized action plans and data collection
 - Established a monitoring process
 - Expanded role of the Welcoming Schools Committee
 - Revised registration forms

⑤ Facilities

Strategy: Provide Facilities to Insure High Quality Educational Programs While Reducing Impact on the Environment

- Both new high schools are certified at the LEED Gold level.
- LMSD has established a Comprehensive Environmental Impact Reduction Policy that seeks to reduce our impact on the environment while educating our students in the importance of environmental stewardship at all ages, in accordance with relevant academic standards.
- Annual Update of Five Year Facilities Improvement Plan to address major maintenance and repair projects as well as other important District goals such as security.
- LMSD has implemented a Green Cleaning program at the two new high schools and extended it to all schools. The program emphasizes cleaning for health and reducing the impact of cleaning methods and products on students and staff as well as the environment.
- Developing our ability to increase energy awareness and conservation remains our biggest challenge. We track energy consumption and have benchmarked all our buildings using the EPA Energy Star benchmarking process. However, there is not widespread awareness of where we stand and how we can improve through behavior modification. We have retained a consultant to assist us in implementing such a program that will focus on recruiting existing groups such as the Green Council and environmental clubs to

bring about a cultural change. It will be tied to curriculum goals – preparing our students to be ready for the 21st Century challenges of citizenship in a world of increasingly scarce resources.

- LMSD remains committed to the use of alternative fueled vehicles and continues to modernize its fleet of CNG powered school buses.

⑥ Communications

Strategy: To create open communication channels for all district stakeholders including parents, students, community members, staff, and board members.

- Access to Communication Technology by all District Stakeholders
- Creating an atmosphere where stakeholders know their voices are heard

Sharing information across the District

- Created Staff/Parent Affinity Sections of website
- Expanded school-specific content on website
- Established District-Wide Community Service Coordination
- Provided Strategic Communication support for Achievement Gap initiatives
- Established a Partnership with Next Level Achievers for student mentors
- Initiated Thursday Folders "Go Green"
- Established an Elementary Family Resource section of the district website
- Established an Elementary Links section of the district website (for students)
- Brochures are on the District website describing the grades K-5 curriculum
- Created the Tech Tutor program at the elementary level to support teacher's technology needs

New Strategic Plan to take effect August 2015

Following are the statements of intent for the new Strategic Plan that was approved by the School Board on November 17, 2014:

1. Redefining Success

LMSD's definition of success incorporates creativity, critical thinking, love of learning, and innovation for each and every child to encourage globally aware and engaged students. We reach far beyond standardized test scores, embracing and celebrating the many ways in which students demonstrate individual growth.

2. Transformative Curriculum

LMSD offers a transformative interdisciplinary curriculum that is student-driven and fosters innovation and positive risk-taking. It transcends Standards, is inquiry-based, and connects the classroom to the world. Our curriculum encompasses diverse perspectives, promotes global awareness, and makes use of culturally responsive teaching and learning practices. This dynamic, adaptable curriculum provides vertically and horizontally aligned curricular experiences, ensuring every student learns from the connections across subject areas and receives a comprehensive and balanced education. Subject material is relevant

to the world our children will enter in college and as adults. Innovation is the rule and not the exception.

3. Commitment of Professional Learning

LMSD is a community that values educators and the critical role they play in ensuring our students' success. We trust our professionals and seek to support their perpetual growth and development through collaborative professional learning opportunities rooted in self-reflection and inquiry. We believe in providing resources to staff that encourage a culture of engagement, innovation, and exploration.

4. Student-Driven Schools

LMSD students engage in navigating their own learning and growth in close partnership with our professionals. We create an environment where students value self-reflection and inquiry and play a central role in identifying their passions and achieving their goals. We nurture and celebrate the individual strengths of our students and help them to develop competencies that ensure their success beyond the LMSD experience.

5. Spirit of Community

LMSD takes pride in being a central part of the community. We value the diverse, dynamic talents of every member of our community and their enduring support for public education. We honor this spirit through consistent outreach and the creation of meaningful relationships to promote experiential learning, ongoing service, and engagement that will strengthen and support the student experience during the LMSD years and beyond.

STRATEGIC PLAN

INTRODUCTION

Lower Merion School District (LMSD) submitted its new strategic plan ***All Forward: Strategic Pathways for Lower Merion School District*** on November 17, 2014. Our new plan is the result of many months of information gathering, analysis and careful thought and planning. It incorporates feedback from thousands of community members, including students, teachers, alumni, parents, and local residents.

When we began our planning process, we had asked stakeholders to think big, to be bold and to share their greatest hopes and aspirations for our schools. The school community certainly answered the call. ***All Forward*** differs greatly from previous LMSD strategic plans, both in content and structure. Rather than a tactical guide with step-by-step instructions, the plan serves as a strategic compass for the next five years and beyond.

The Plan was designed 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: 1. Redefining Success; 2. Transformative Curriculum; 3. A Commitment to Professional Learning; 4. Student Driven Schools and 5. A Spirit of Community, were crafted by our steering committee and 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.

As a community, we will transform this strategy into action. We will build on current practices and programs in our schools that reflect the direction of the plan and will encourage the development of innovative prototypes to stimulate progress and growth. Systemic change will not happen overnight. These efforts will take time, reflection and revision. They will also require extensive communication. Much of the first year of implementation will be dedicated to providing opportunities for community members to learn about, discuss and, ultimately, take ownership of the plan. As the plan evolves, we will continue to provide updates and ongoing opportunities for feedback.

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.

**PROPOSED FINAL
GENERAL FUND
BUDGET EXHIBITS**

2016-17

Proposed Budget

Revenue

DESCRIPTION	Budget 2015-16	Preliminary Budget 2016-17	Proposed Budget 2016-17
Fund Balance Funds Assigned as Revenue	9,335,255	9,335,540	9,335,540
		Revenue After the Tax Increase	Revenue After the Tax Increase
Local Sources			
Real Estate Tax	194,465,332	207,556,402	207,556,402
Interim Real Estate Tax	301,000	301,000	301,000
Public Utility Tax	220,000	220,000	220,000
Local Services Tax	200,000	200,000	200,000
Realty Transfer Tax	2,950,000	3,000,000	3,000,000
Delinquent Real Estate Tax	4,000,000	3,850,000	3,850,000
Interest Income	250,000	250,000	250,000
Tuition	200,000	200,000	200,000
IU Federal Funds	1,200,000	1,200,000	1,200,000
Misc Other Local Sources	106,300	106,300	106,300
Total Local Sources	203,892,632	216,883,702	216,883,702
	Budget	Preliminary Budget	Proposed Budget
DESCRIPTION	2013-14	2015-16	2015-16
State Sources			
Basic Instructional Subsidy	3,497,119	3,497,119	3,497,119
Special Education Subsidy	2,882,307	2,882,307	2,882,307
Transportation Subsidy	2,400,000	2,400,000	2,400,000
Revenue For Fica Payments	4,600,000	4,600,000	4,600,000
Revenue For Retirement	15,000,000	18,200,000	18,200,000
State Property Tax Reduction Allocation	3,473,652	-	-
Health Subsidies	260,000	260,000	260,000
Rental Sinking Fund Reimbursement	200,000	150,000	150,000
Misc Other State Subsidies	20,000	20,000	20,000
Total State Sources	32,333,078	32,009,426	32,009,426
Federal Sources	705,600	705,600	705,600
Total Revenue	236,931,310	249,598,728	249,598,728
Total Revenue and Assigned Fund Balance	246,266,565	258,934,268	258,934,268

Proposed Budget

EXPENDITURES

DESCRIPTION	Budget 2015-16	Preliminary Budget 2016-17	Proposed Budget 2016-17
Salaries	116,949,574	122,792,506	122,734,966
Benefits	69,963,930	75,971,829	75,971,829
Other	58,553,061	59,369,933	59,427,473
-Purchased Professional and Technical Svcs (IU services, consultants, etc)			
-Purchased Property Svcs (utilities, repair work, leases, etc)			
-Other Purchased Svcs (tuition payments to charters, special ed, vo-tech, general insurance contracted transportation			
-Supplies (general supplies, books, software licenses, fuel, gas, etc)			
-Property (equipment, laptops, iPads, etc)			
-Other Objects (debt service principal payments)			
Budget Reserve	800,000	800,000	800,000
	246,266,565	258,934,268	258,934,268
Change in fund balance			
Tax monies required to balance the Budget		8,820,350	8,820,350
Budgeted Mill Value	7,520,302	7,576,074	7,576,074
Additional Increase in Mills Required		1.1642	1.1642
Total Mills	26.2321	27.3963	27.3963
Mills Increase		4.44%	4.44%
Budget Expenditures Increase		5.14%	5.14%

Real Estate Tax Change

Median Household Assessment		\$250,680
2015-16 Real Estate Tax mill rate	26.2321	
Face amount of 2015-16 Real Estate Tax		6,576
2016-17 Real Estate Tax mill rate	27.3963	
Face amount of 2016-17 Real Estate Tax		<u>6,868</u>
	Tax Increase	\$292

Median household assessments provided by Montgomery Co. Board of Assessments

Mill Value Calculation for 2016-17

2015-16 Budgeted Collectible Assessment	Tax Levy Generated by Mills 26.2321	Budgeted Collection Rate	Budgeted Mill Value	Homestead	Tax Levy Minus Homestead Exclusions	Budgeted Collections @ 26.2321 Mills	
7,491,626,679	196,521,100	96.700%	7,244,403	3,259,594	193,261,506	186,883,877	
<u>307,037,550</u>	8,054,240	<u>96.700%</u>	<u>296,905</u>	214,058	7,840,182	<u>7,581,456</u>	
7,798,664,229	204,575,340	96.700%	7,541,308	3,473,652	201,101,688	194,465,332	
2015-16 Actual Collectible Assessment	Homestead Exclusion	Net Collectible Assessment	Actual Duplicate @ 26.2321	Actual Mill Value Collection Rate	Actual Collections @ 26.2321	Homestead	Net Collections
7,497,495,778	124,265,436	7,373,230,342	196,675,059	96.983%	190,742,209	3,261,732	187,480,477
<u>308,295,260</u>	8,160,131	300,135,129	8,087,232	<u>96.954%</u>	<u>7,840,927</u>	<u>214,058</u>	<u>7,626,869</u>
7,805,791,038	132,425,567	7,673,365,471	204,762,291	96.982%	198,583,137	3,475,790	195,107,347
Projected Assessment	Tax Levy Generated by Mills 27.3963	Collectible Assessment	Budgeted Mill Value Collection Rate	Projected Mill Value	Homestead	Tax Levy Minus Homestead Exclusions	2016-17 Collections @ 27.3963 Mills
7,525,977,269	206,183,931	7,525,977,269	96.7%	7,277,620	0	206,183,931	199,379,861
<u>308,639,320</u>	8,455,575	<u>308,639,320</u>	<u>96.7%</u>	<u>298,454</u>	<u>0</u>	<u>8,455,575</u>	<u>8,176,541</u>
7,834,616,589	214,639,506	7,834,616,589	96.7%	7,576,074	0	214,639,506	207,556,402
Increase in mill value				34,766			207,556,402
Last Year 2015-16 Change				7,541,308 34,766			

BUDGET SUMMARY

Beginning Fund Balance		7/1/2015	Beginning Fund Balance		7/1/2016		
Nonspendable	288,103		Nonspendable	0			
Committed	35,800,000		Committed	35,800,000			
Unassigned as Revenue	9,335,255		Unassigned as Revenue	9,335,540			
Unassigned	10,838,977		Unassigned	11,129,390			
		56,262,335			56,264,930		
					Before Tax Increase	After Tax Increase	
Unassigned Available Fund Balance 7/1/15		9,335,255	Unassigned Available Fund Balance 7/1/16		9,335,540	9,335,540	
Plus: Estimated 2015-16 Revenue		<u>237,431,310</u>	Plus: Revenue 2016-17 Budget		<u>240,778,663</u>	<u>249,598,728</u>	
Total Available Funds		246,766,565	Total Available Funds		250,114,203	258,934,268	
Less: Estimated 2015-16 Expenditures		<u>(237,428,715)</u>	Less: Expenditures 2016-17 Budget		<u>(258,934,268)</u>	<u>(258,934,268)</u>	
Excess Revenue over Expenditures		9,337,850	Excess Revenue over Expenditures		(8,820,065)	0	
End Year Fund Balance 6/30/16		56,264,930	2015-16 Mills		26.2321		
Nonspendable	0		2016-17 Mill Value			7,576,074	
Committed	35,800,000		Increase in Mills			1.1642	
Unassigned	<u>20,464,930</u>		Total Mills 2016-17			27.3963	
	56,264,930		Increase in Mills			4.44%	
			Increase in Expenditures 2016-17 Budget			5.14%	
			End Year Fund Balance 6/30/16				
			Committed	35,800,000			
			Unassigned	<u>11,129,390</u>			
				46,929,390			

Special Note:

All school districts are required to complete the PDE-2028 – Final General Fund Budget, Fiscal Year 07/01/2016 – 06/30/2017 thru a software program provide by the Pennsylvania Department of Education (PDE). Currently the software program is not presenting all the data correctly. It is unable to display the Homestead exclusions. PDE is expecting to have a software update shortly. The PDE-2028 that is included in this booklet shows the budget prior to the inclusion of the Homestead exclusions. The amount of the budget is correct. When the software is working correctly, the Local Real Estate Tax will be reduced by the amount of the Homestead exclusions and that same amount will be added to the State Revenue account State Property Tax Reduction Allocation.

FINAL GENERAL FUND BUDGET

Fiscal Year 2016-2017

PROPOSED VERSION

General Fund Budget Approval**Date of Adoption of the General Fund Budget:****President of the Board - Original Signature Required****Date****Secretary of the Board - Original Signature Required****Date****Chief School Administrator - Original Signature Required****Date**

Victor Orlando

(610)645-1970

Extn :

Contact Person**Telephone****Extension**

orlandv@lmsd.org

Email Address

**CERTIFICATION OF USE OF PDE-2028
FOR PUBLIC INSPECTION OF 2016-2017 PROPOSED BUDGET**

24 PS 6-687(a)(1)

(03/2006)

School District Name : Lower Merion SD	County : Montgomery	AUN Number : 123464502
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Section 687(a)(1) of the School Code requires the president of the board of school directors of each school district to certify to the Department of Education that the proposed budget was prepared, presented and will be made available for public inspection using the uniform form prepared and furnished by the Department of Education.

I hereby certify that the above information is accurate and complete.

SIGNATURE OF SUPERINTENDENT	DATE
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**DUE DATE: AUGUST 15, IMMEDIATELY FOLLOWING
ADOPTION OF PROPOSED
FINAL GENERAL FUND BUDGET**

LEA : 123464502 Lower Merion SD

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ITEMAMOUNTS**Estimated Beginning Unreserved Fund Balance Available for
Appropriation and Reserves Scheduled For Liquidation During The
Fiscal Year**

0810 Nonspendable Fund Balance

0820 Restricted Fund Balance

0830 Committed Fund Balance 35,800,000

0840 Assigned Fund Balance

0850 Unassigned Fund Balance 20,174,232

**Total Estimated Beginning Unreserved Fund Balance Available for
Appropriation and Reserves Scheduled For Liquidation During The
Fiscal Year**55,974,232**Estimated Revenues And Other Financing Sources**

6000 Revenue from Local Sources 216,883,702

7000 Revenue from State Sources 32,009,426

8000 Revenue from Federal Sources 705,600

9000 Other Financing Sources

Total Estimated Revenues And Other Financing Sources249,598,728**Total Estimated Fund Balance, Revenues, and Other Financing
Sources Available for Appropriation**305,572,960

LEA : 123464502 Lower Merion SD

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	<u>Amount</u>
REVENUE FROM LOCAL SOURCES	
6111 Current Real Estate Taxes	207,556,402
6112 Interim Real Estate Taxes	301,000
6113 Public Utility Realty Taxes	220,000
6140 Current Act 511 Taxes – Flat Rate Assessments	200,000
6150 Current Act 511 Taxes – Proportional Assessments	3,000,000
6400 Delinquencies on Taxes Levied / Assessed by the LEA	3,850,000
6500 Earnings on Investments	250,000
6700 Revenues from LEA Activities	35,000
6800 Revenues from Intermediary Sources / Pass-Through Funds	1,200,000
6910 Rentals	20,000
6920 Contributions and Donations from Private Sources	5,000
6940 Tuition from Patrons	200,000
6980 Revenue from Community Services Activities	35,000
6990 Refunds and Other Miscellaneous Revenue	11,300
REVENUE FROM LOCAL SOURCES	216,883,702
REVENUE FROM STATE SOURCES	
7110 Basic Education Funding	3,497,119
7160 Tuition for Orphans Subsidy	20,000
7271 Special Education funds for School-Aged Pupils	2,882,307
7310 Transportation (Pupil and Nonpublic/CS)	2,400,000
7320 Rental and Sinking Fund Payments / Building Reimbursement Subsidy	150,000
7330 Health Services (Medical, Dental, Nurse, Act 25)	260,000
7810 State Share of Social Security and Medicare Taxes	4,600,000
7820 State Share of Retirement Contributions	18,200,000
REVENUE FROM STATE SOURCES	32,009,426
REVENUE FROM FEDERAL SOURCES	
8514 NCLB, Title I – Improving the Academic Achievement of the Disadvantaged	265,000
8515 NCLB, Title II – Preparing, Training and Recruiting High Quality Teachers and Principals	145,000
8810 School-Based Access Medicaid Reimbursement Program (SBAP) Reimbursements (Access)	290,000
8820 Medical Assistance Reimbursement for Administrative Claiming (Quarterly) Program	5,600
REVENUE FROM FEDERAL SOURCES	705,600
TOTAL ESTIMATED REVENUES AND OTHER SOURCES	249,598,728

AUN: 123464502 Lower Merion SD

Multi-County Rebalancing Based on Methodology of Section 672.1 of School Code

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Page - 1 of 3

Act 1 Index (current): 2.4%

Calculation Method:

Rate

Approx. Tax Revenue from RE Taxes: \$207,556,402

Amount of Tax Relief for Homestead Exclusions \$0

Total Approx. Tax Revenue: \$207,556,402

Approx. Tax Levy for Tax Rate Calculation: \$214,639,506

Montgomery

Total

2015-16 Data

a. Assessed Value \$7,798,664,229 \$7,798,664,229

b. Real Estate Mills 26.2321

I. 2016-17 Data

c. 2014 STEB Market Value \$12,507,927,419 \$12,507,927,419

d. Assessed Value \$7,834,616,589 \$7,834,616,589

e. Assessed Value of New Constr/ Renov \$0 \$0

2015-16 Calculations

f. 2015-16 Tax Levy \$204,575,340 \$204,575,340

(a * b)

2016-17 Calculations

g. Percent of Total Market Value 100.00000% 100.00000%

h. Rebalanced 2015-16 Tax Levy \$204,575,340 \$204,575,340

(f Total * g)

i. Base Mills Subject to Index 26.2321

(h / a * 1000) if no reassessment

(h / (d-e) * 1000) if reassessment

Calculation of Tax Rates and Levies Generated

j. Weighted Avg. Collection Percentage 96.70000% 96.70000%

k. Tax Levy Needed \$214,639,506 \$214,639,506

(Approx. Tax Levy * g)

I. 2016-17 Real Estate Tax Rate 27.3963

(k / d * 1000)

III. m. Tax Levy Generated by Mills \$214,639,506 \$214,639,506

(I / 1000 * d)

n. Tax Levy minus Tax Relief for Homestead Exclusions \$214,639,506

(m - Amount of Tax Relief for Homestead Exclusions)

o. Net Tax Revenue Generated By Mills \$207,556,402

(n * Est. Pct. Collection)

AUN: 123464502 Lower Merion SD
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Multi-County Rebalancing Based on Methodology of Section 672.1 of School Code
Page - 2 of 3

Act 1 Index (current): 2.4%

Calculation Method:	Rate	
Approx. Tax Revenue from RE Taxes:	\$207,556,402	
Amount of Tax Relief for Homestead Exclusions	\$0	
Total Approx. Tax Revenue:	\$207,556,402	
Approx. Tax Levy for Tax Rate Calculation:	\$214,639,506	
	Montgomery	Total

Index Maximums		
p. Maximum Mills Based On Index	26.8616	
(i * (1 + Index))		
q. Mills In Excess of Index	0.5347	
(if (l > p), (l - p))		
r. Maximum Tax Levy Based On Index	\$210,450,337	\$210,450,337
IV. (p / 1000 * d)		
s. Millage Rate within Index?	No	
(If l > p Then No)		
t. Tax Levy In Excess of Index	\$4,189,169	\$4,189,169
(if (m > r), (m - r))		
u. Tax Revenue In Excess of Index	\$4,050,926	\$4,050,926
(t * Est. Pct. Collection)		

Information Related to Property Tax Relief		
V. Assessed Value Exclusion per Homestead	\$0	
Number of Homestead/Farmstead Properties		
Median Assessed Value of Homestead Properties		\$0

AUN: 123464502 Lower Merion SD

Multi-County Rebalancing Based on Methodology of Section 672.1 of School Code

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Page - 3 of 3

Act 1 Index (current): 2.4%

Calculation Method:

Rate

Approx. Tax Revenue from RE Taxes:	\$207,556,402
Amount of Tax Relief for Homestead Exclusions	\$0
Total Approx. Tax Revenue:	\$207,556,402
Approx. Tax Levy for Tax Rate Calculation:	\$214,639,506
	Montgomery

Total

State Property Tax Reduction Allocation used for: Homestead Exclusions		Lowering RE Tax Rate	\$0
Prior Year State Property Tax Reduction Allocation used for: Homestead Exclusions	\$0		\$0
Amount of Tax Relief from State/Local Sources			\$0

LEA : 123464502 Lower Merion SD

REAL ESTATE, PER CAPITA (SEC. 679), EIT/PIT (ACT 1), LOCAL ENABLING (ACT 511)

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CODE6111 Current Real Estate Taxes

<u>County Name</u>	<u>Taxable Assessed Value</u>	<u>Real Estate Mills</u>	<u>Tax Levy Generated by Mills</u>	<u>Amount of Tax Relief for Homestead Exclusions</u>	<u>Tax Levy Minus Homestead Exclusions</u>	<u>Percent Collected</u>	<u>Net Tax Revenue Generated By Mills</u>
Montgomery	7,834,616,589	27.3963	214,639,506			96.70000%	
Totals:	7,834,616,589		214,639,506	0	= 214,639,506	X 96.70000%	= 207,556,402

	<u>Rate</u>		<u>Estimated Revenue</u>
6120 <u>Current Per Capita Taxes, Section 679</u>	\$0.00		0
6140 <u>Current Act 511 Taxes – Flat Rate Assessments</u>	<u>Rate</u>	<u>Add'l Rate (if appl.)</u>	<u>Tax Levy</u>
6141 Current Act 511 Per Capita Taxes	\$0.00	\$0.00	0
6142 Current Act 511 Occupation Taxes – Flat Rate	\$0.00	\$0.00	0
6143 Current Act 511 Local Services Taxes	\$5.00	\$0.00	200,000
6144 Current Act 511 Trailer Taxes	\$0.00	\$0.00	0
6145 Current Act 511 Business Privilege Taxes – Flat Rate	\$0.00	\$0.00	0
6146 Current Act 511 Mechanical Device Taxes – Flat Rate	\$0.00	\$0.00	0
6149 Current Act 511 Taxes, Other Flat Rate Assessments	\$0.00	\$0.00	0
Total Current Act 511 Taxes – Flat Rate Assessments			200,000
6150 <u>Current Act 511 Taxes – Proportional Assessments</u>	<u>Rate</u>	<u>Add'l Rate (if appl.)</u>	<u>Tax Levy</u>
6151 Current Act 511 Earned Income Taxes	0.000%	0.000%	0
6152 Current Act 511 Occupation Taxes	0.000	0.000	0
6153 Current Act 511 Real Estate Transfer Taxes	1.000%	0.000%	3,000,000
6154 Current Act 511 Amusement Taxes	0.000%	0.000%	0
6155 Current Act 511 Business Privilege Taxes	0.000	0.000	0
6156 Current Act 511 Mechanical Device Taxes – Percentage	0.000%	0.000%	0
6157 Current Act 511 Mercantile Taxes	0.000	0.000	0
6159 Current Act 511 Taxes, Other Proportional Assessments	0	0	0
Total Current Act 511 Taxes – Proportional Assessments			3,000,000
Total Act 511, Current Taxes			3,200,000
Act 511 Tax Limit -->	12,507,927,419	X	12
	Market Value		Mills
			150,095,129
			(511 Limit)

Tax Function	Description	Tax Rate Charged in:		Percent Change in Rate	Less than or equal to Index	Index	Additional Tax Rate Charged in:		Percent Change in Rate	Less than or equal to Index
		2015-16 (Rebalanced)	2016-17				2015-16 (Rebalanced)	2016-17		
6111	<u>Current Real Estate Taxes</u>									
	Montgomery	26.2321	27.3963	4.44%	No	2.4%				
6120	Current Per Capita Taxes, Section 679					2.4%				
	<u>Current Act 511 Taxes – Flat Rate Assessments</u>									
6141	Current Act 511 Per Capita Taxes					2.4%				
6142	Current Act 511 Occupation Taxes - Flat Rate					2.4%				
6143	Current Act 511 Local Services Taxes	\$5.00	\$5.00	0.00%	Yes	2.4%				
6144	Current Act 511 Trailer Taxes					2.4%				
6145	Current Act 511 Business Privilege Taxes - Flat Rate					2.4%				
6146	Current Act 511 Mechanical Device Taxes - Flat Rate					2.4%				
6149	Current Act 511 Taxes, Other Flat Rate Assessments					2.4%				
	<u>Current Act 511 Taxes – Proportional Assessments</u>									
6151	Current Act 511 Earned Income Taxes					2.4%				
6152	Current Act 511 Occupation Taxes					2.4%				
6153	Current Act 511 Real Estate Transfer Taxes	1.000%	1.000%	0.00%	Yes	2.4%				
6154	Current Act 511 Amusement Taxes					2.4%				
6155	Current Act 511 Business Privilege Taxes					2.4%				
6156	Current Act 511 Mechanical Device Taxes - Percentage					2.4%				
6157	Current Act 511 Mercantile Taxes					2.4%				
6159	Current Act 511 Taxes, Other Proportional Assessments					2.4%				

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<u>Description</u>	<u>Amount</u>
1000 Instruction	
1100 Regular Programs - Elementary / Secondary	101,909,855
1200 Special Programs - Elementary / Secondary	46,899,391
1300 Vocational Education	350,000
1400 Other Instructional Programs - Elementary / Secondary	1,183,887
Total Instruction	150,343,133
2000 Support Services	
2100 Support Services - Students	9,334,839
2200 Support Services - Instructional Staff	6,626,257
2300 Support Services - Administration	13,620,678
2400 Support Services - Pupil Health	3,988,354
2500 Support Services - Business	1,343,791
2600 Operation and Maintenance of Plant Services	19,517,470
2700 Student Transportation Services	12,581,363
2800 Support Services - Central	5,992,613
2900 Other Support Services	776,450
Total Support Services	73,781,815
3000 Operation of Non-Instructional Services	
3200 Student Activities	5,543,716
3300 Community Services	212,500
Total Operation of Non-Instructional Services	5,756,216
5000 Other Expenditures and Financing Uses	
5100 Debt Service / Other Expenditures and Financing Uses	28,204,104
5200 Interfund Transfers - Out	49,000
5900 Budgetary Reserve	800,000
Total Other Expenditures and Financing Uses	29,053,104
Total Estimated Expenditures and Other Financing Uses	258,934,268

<u>Description</u>	<u>Amount</u>
1000 Instruction	
1100 Regular Programs - Elementary / Secondary	
100 Personnel Services - Salaries	59,378,633
200 Personnel Services - Employee Benefits	36,860,254
300 Purchased Professional and Technical Services	282,574
400 Purchased Property Services	254,007
500 Other Purchased Services	692,223
600 Supplies	2,197,024
700 Property	2,220,650
800 Other Objects	24,490
Total Regular Programs - Elementary / Secondary	101,909,855
1200 Special Programs - Elementary / Secondary	
100 Personnel Services - Salaries	23,160,367
200 Personnel Services - Employee Benefits	14,460,554
300 Purchased Professional and Technical Services	3,150,552
400 Purchased Property Services	34,000
500 Other Purchased Services	5,674,342
600 Supplies	297,747
700 Property	121,829
Total Special Programs - Elementary / Secondary	46,899,391
1300 Vocational Education	
500 Other Purchased Services	350,000
Total Vocational Education	350,000
1400 Other Instructional Programs - Elementary / Secondary	
100 Personnel Services - Salaries	615,504
200 Personnel Services - Employee Benefits	401,887
300 Purchased Professional and Technical Services	26,249
500 Other Purchased Services	96,250
600 Supplies	41,047
800 Other Objects	2,950
Total Other Instructional Programs - Elementary / Secondary	1,183,887
Total Instruction	150,343,133
2000 Support Services	
2100 Support Services - Students	
100 Personnel Services - Salaries	5,402,567
200 Personnel Services - Employee Benefits	3,531,805
300 Purchased Professional and Technical Services	159,739
400 Purchased Property Services	19,120
500 Other Purchased Services	55,831
600 Supplies	153,824
700 Property	7,500
800 Other Objects	4,453
Total Support Services - Students	9,334,839

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<u>Description</u>	<u>Amount</u>
2200 Support Services - Instructional Staff	
100 Personnel Services - Salaries	3,454,104
200 Personnel Services - Employee Benefits	2,039,467
300 Purchased Professional and Technical Services	453,352
400 Purchased Property Services	15,816
500 Other Purchased Services	81,800
600 Supplies	465,404
700 Property	59,860
800 Other Objects	56,454
Total Support Services - Instructional Staff	6,626,257
2300 Support Services - Administration	
100 Personnel Services - Salaries	7,309,820
200 Personnel Services - Employee Benefits	4,458,485
300 Purchased Professional and Technical Services	1,205,050
400 Purchased Property Services	130,047
500 Other Purchased Services	278,401
600 Supplies	123,310
700 Property	31,000
800 Other Objects	84,565
Total Support Services - Administration	13,620,678
2400 Support Services - Pupil Health	
100 Personnel Services - Salaries	2,406,515
200 Personnel Services - Employee Benefits	1,477,690
300 Purchased Professional and Technical Services	39,700
400 Purchased Property Services	3,200
500 Other Purchased Services	2,200
600 Supplies	38,305
700 Property	20,154
800 Other Objects	590
Total Support Services - Pupil Health	3,988,354
2500 Support Services - Business	
100 Personnel Services - Salaries	709,777
200 Personnel Services - Employee Benefits	486,298
300 Purchased Professional and Technical Services	94,500
400 Purchased Property Services	10,500
500 Other Purchased Services	18,500
600 Supplies	12,716
800 Other Objects	11,500
Total Support Services - Business	1,343,791
2600 Operation and Maintenance of Plant Services	
100 Personnel Services - Salaries	8,178,267
200 Personnel Services - Employee Benefits	4,942,253
300 Purchased Professional and Technical Services	216,600
400 Purchased Property Services	2,995,000
500 Other Purchased Services	1,421,000

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<u>Description</u>	<u>Amount</u>
600 Supplies	1,651,350
700 Property	100,000
800 Other Objects	13,000
Total Operation and Maintenance of Plant Services	19,517,470
2700 <u>Student Transportation Services</u>	
100 Personnel Services - Salaries	6,155,040
200 Personnel Services - Employee Benefits	4,056,123
300 Purchased Professional and Technical Services	24,000
400 Purchased Property Services	246,500
500 Other Purchased Services	1,117,000
600 Supplies	948,700
700 Property	15,000
800 Other Objects	19,000
Total Student Transportation Services	12,581,363
2800 <u>Support Services - Central</u>	
100 Personnel Services - Salaries	2,434,915
200 Personnel Services - Employee Benefits	1,499,934
300 Purchased Professional and Technical Services	353,389
400 Purchased Property Services	284,250
500 Other Purchased Services	231,430
600 Supplies	985,340
700 Property	200,355
800 Other Objects	3,000
Total Support Services - Central	5,992,613
2900 <u>Other Support Services</u>	
100 Personnel Services - Salaries	405,441
200 Personnel Services - Employee Benefits	232,309
500 Other Purchased Services	138,700
Total Other Support Services	776,450
Total Support Services	73,781,815
3000 Operation of Non-Instructional Services	
3200 <u>Student Activities</u>	
100 Personnel Services - Salaries	3,124,016
200 Personnel Services - Employee Benefits	1,524,770
300 Purchased Professional and Technical Services	279,085
400 Purchased Property Services	89,165
500 Other Purchased Services	215,865
600 Supplies	270,224
800 Other Objects	40,591
Total Student Activities	5,543,716
3300 <u>Community Services</u>	
300 Purchased Professional and Technical Services	205,000
400 Purchased Property Services	5,000
600 Supplies	2,500

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<u>Description</u>	<u>Amount</u>
Total Community Services	212,500
Total Operation of Non-Instructional Services	5,756,216
5000 Other Expenditures and Financing Uses	
5100 Debt Service / Other Expenditures and Financing Uses	
800 Other Objects	11,139,104
900 Other Uses of Funds	17,065,000
Total Debt Service / Other Expenditures and Financing Uses	28,204,104
5200 Interfund Transfers - Out	
900 Other Uses of Funds	49,000
Total Interfund Transfers - Out	49,000
5900 Budgetary Reserve	
800 Other Objects	800,000
Total Budgetary Reserve	800,000
Total Other Expenditures and Financing Uses	29,053,104
TOTAL EXPENDITURES	258,934,268

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Cash and Short-Term Investments**06/30/2016 Estimate****06/30/2017 Projection**

General Fund	36,000,000	36,000,000
Public Purpose (Expendable) Trust Fund		
Other Comptroller-Approved Special Revenue Funds		
Athletic / School-Sponsored Extra Curricular Activities Fund		
Capital Reserve Fund - \$ 690, \$1850		
Capital Reserve Fund - \$ 1431	6,500,000	2,000,000
Other Capital Projects Fund	5,000,000	2,000,000
Debt Service Fund		
Food Service / Cafeteria Operations Fund	100,000	100,000
Child Care Operations Fund		
Other Enterprise Funds		
Internal Service Fund		
Private Purpose Trust Fund		
Investment Trust Fund		
Pension Trust Fund		
Activity Fund		
Other Agency Fund		
Permanent Fund		
Total Cash and Short-Term Investments	47,600,000	40,100,000

Long-Term Investments**06/30/2016 Estimate****06/30/2017 Projection**

General Fund		
Public Purpose (Expendable) Trust Fund		
Other Comptroller-Approved Special Revenue Funds		
Athletic / School-Sponsored Extra Curricular Activities Fund		
Capital Reserve Fund - \$ 690, \$1850		
Capital Reserve Fund - \$ 1431		
Other Capital Projects Fund		
Debt Service Fund		
Food Service / Cafeteria Operations Fund		
Child Care Operations Fund		
Other Enterprise Funds		
Internal Service Fund		
Private Purpose Trust Fund		
Investment Trust Fund		
Pension Trust Fund		
Activity Fund		
Other Agency Fund		

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Long-Term Investments06/30/2016 Estimate06/30/2017 Projection

Permanent Fund

Total Long-Term InvestmentsTOTAL CASH AND INVESTMENTS47,600,00040,100,000

Long-Term Indebtedness**06/30/2016 Estimate****06/30/2017 Projection****General Fund**

0510 Bonds Payable	263,975,000	246,910,000
0520 Extended-Term Financing Agreements Payable		
0530 Lease-Purchase Obligations		
0540 Accumulated Compensated Absences		
0550 Authority Lease Obligations		
0560 Other Post-Employment Benefits (OPEB)		
0599 Other Long-Term Liabilities		

Total General Fund

263,975,000

246,910,000

Public Purpose (Expendable) Trust Fund

0510 Bonds Payable
0520 Extended-Term Financing Agreements Payable
0530 Lease-Purchase Obligations
0540 Accumulated Compensated Absences
0550 Authority Lease Obligations
0560 Other Post-Employment Benefits (OPEB)
0599 Other Long-Term Liabilities

Total Public Purpose (Expendable) Trust Fund**Other Comptroller-Approved Special Revenue Funds**

0510 Bonds Payable
0520 Extended-Term Financing Agreements Payable
0530 Lease-Purchase Obligations
0540 Accumulated Compensated Absences
0550 Authority Lease Obligations
0560 Other Post-Employment Benefits (OPEB)
0599 Other Long-Term Liabilities

Total Other Comptroller-Approved Special Revenue Funds**Athletic / School-Sponsored Extra Curricular Activities Fund**

0510 Bonds Payable
0520 Extended-Term Financing Agreements Payable
0530 Lease-Purchase Obligations
0540 Accumulated Compensated Absences
0550 Authority Lease Obligations
0560 Other Post-Employment Benefits (OPEB)
0599 Other Long-Term Liabilities

Total Athletic / School-Sponsored Extra Curricular Activities Fund**Capital Reserve Fund - \$ 690, \$1850**

0510 Bonds Payable
0520 Extended-Term Financing Agreements Payable

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Long-Term Indebtedness**06/30/2016 Estimate****06/30/2017 Projection**

- 0530 Lease-Purchase Obligations
- 0540 Accumulated Compensated Absences
- 0550 Authority Lease Obligations
- 0560 Other Post-Employment Benefits (OPEB)
- 0599 Other Long-Term Liabilities

Total Capital Reserve Fund - \$ 690, \$1850**Capital Reserve Fund - \$ 1431**

- 0510 Bonds Payable
- 0520 Extended-Term Financing Agreements Payable
- 0530 Lease-Purchase Obligations
- 0540 Accumulated Compensated Absences
- 0550 Authority Lease Obligations
- 0560 Other Post-Employment Benefits (OPEB)
- 0599 Other Long-Term Liabilities

Total Capital Reserve Fund - \$ 1431**Other Capital Projects Fund**

- 0510 Bonds Payable
- 0520 Extended-Term Financing Agreements Payable
- 0530 Lease-Purchase Obligations
- 0540 Accumulated Compensated Absences
- 0550 Authority Lease Obligations
- 0560 Other Post-Employment Benefits (OPEB)
- 0599 Other Long-Term Liabilities

Total Other Capital Projects Fund**Debt Service Fund**

- 0510 Bonds Payable
- 0520 Extended-Term Financing Agreements Payable
- 0530 Lease-Purchase Obligations
- 0540 Accumulated Compensated Absences
- 0550 Authority Lease Obligations
- 0560 Other Post-Employment Benefits (OPEB)
- 0599 Other Long-Term Liabilities

Total Debt Service Fund**Food Service / Cafeteria Operations Fund**

- 0510 Bonds Payable
- 0520 Extended-Term Financing Agreements Payable
- 0530 Lease-Purchase Obligations
- 0540 Accumulated Compensated Absences
- 0550 Authority Lease Obligations

Long-Term Indebtedness**06/30/2016 Estimate****06/30/2017 Projection**

0560 Other Post-Employment Benefits (OPEB)

0599 Other Long-Term Liabilities

Total Food Service / Cafeteria Operations Fund**Child Care Operations Fund**

0510 Bonds Payable

0520 Extended-Term Financing Agreements Payable

0530 Lease-Purchase Obligations

0540 Accumulated Compensated Absences

0550 Authority Lease Obligations

0560 Other Post-Employment Benefits (OPEB)

0599 Other Long-Term Liabilities

Total Child Care Operations Fund**Other Enterprise Funds**

0510 Bonds Payable

0520 Extended-Term Financing Agreements Payable

0530 Lease-Purchase Obligations

0540 Accumulated Compensated Absences

0550 Authority Lease Obligations

0560 Other Post-Employment Benefits (OPEB)

0599 Other Long-Term Liabilities

Total Other Enterprise Funds**Internal Service Fund**

0510 Bonds Payable

0520 Extended-Term Financing Agreements Payable

0530 Lease-Purchase Obligations

0540 Accumulated Compensated Absences

0550 Authority Lease Obligations

0560 Other Post-Employment Benefits (OPEB)

0599 Other Long-Term Liabilities

Total Internal Service Fund**Private Purpose Trust Fund**

0510 Bonds Payable

0520 Extended-Term Financing Agreements Payable

0530 Lease-Purchase Obligations

0540 Accumulated Compensated Absences

0550 Authority Lease Obligations

0560 Other Post-Employment Benefits (OPEB)

0599 Other Long-Term Liabilities

Total Private Purpose Trust Fund

Long-Term Indebtedness**06/30/2016 Estimate****06/30/2017 Projection****Investment Trust Fund**

- 0510 Bonds Payable
- 0520 Extended-Term Financing Agreements Payable
- 0530 Lease-Purchase Obligations
- 0540 Accumulated Compensated Absences
- 0550 Authority Lease Obligations
- 0560 Other Post-Employment Benefits (OPEB)
- 0599 Other Long-Term Liabilities

Total Investment Trust Fund**Pension Trust Fund**

- 0510 Bonds Payable
- 0520 Extended-Term Financing Agreements Payable
- 0530 Lease-Purchase Obligations
- 0540 Accumulated Compensated Absences
- 0550 Authority Lease Obligations
- 0560 Other Post-Employment Benefits (OPEB)
- 0599 Other Long-Term Liabilities

Total Pension Trust Fund**Activity Fund**

- 0510 Bonds Payable
- 0520 Extended-Term Financing Agreements Payable
- 0530 Lease-Purchase Obligations
- 0540 Accumulated Compensated Absences
- 0550 Authority Lease Obligations
- 0560 Other Post-Employment Benefits (OPEB)
- 0599 Other Long-Term Liabilities

Total Activity Fund**Other Agency Fund**

- 0510 Bonds Payable
- 0520 Extended-Term Financing Agreements Payable
- 0530 Lease-Purchase Obligations
- 0540 Accumulated Compensated Absences
- 0550 Authority Lease Obligations
- 0560 Other Post-Employment Benefits (OPEB)
- 0599 Other Long-Term Liabilities

Total Other Agency Fund**Permanent Fund**

- 0510 Bonds Payable
- 0520 Extended-Term Financing Agreements Payable

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Long-Term Indebtedness**06/30/2016 Estimate****06/30/2017 Projection**

0530 Lease-Purchase Obligations

0540 Accumulated Compensated Absences

0550 Authority Lease Obligations

0560 Other Post-Employment Benefits (OPEB)

0599 Other Long-Term Liabilities

Total Permanent Fund**Total Long-Term Indebtedness**

263,975,000

246,910,000

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Short-Term Payables**06/30/2016 Estimate****06/30/2017 Projection**

General Fund
Public Purpose (Expendable) Trust Fund
Other Comptroller-Approved Special Revenue Funds
Athletic / School-Sponsored Extra Curricular Activities Fund
Capital Reserve Fund - \$ 690, \$1650
Capital Reserve Fund - \$ 1431
Other Capital Projects Fund
Debt Service Fund
Food Service / Cafeteria Operations Fund
Child Care Operations Fund
Other Enterprise Funds
Internal Service Fund
Private Purpose Trust Fund
Investment Trust Fund
Pension Trust Fund
Activity Fund
Other Agency Fund
Permanent Fund

Total Short-Term Payables**TOTAL INDEBTEDNESS****263,975,000****246,910,000**

Account Description	Amounts
0830 Committed Fund Balance	35,800,000
0840 Assigned Fund Balance	
0850 Unassigned Fund Balance	10,838,692
Total Ending Fund Balance - Committed, Assigned, and Unassigned	46,638,692
5900 Budgetary Reserve	800,000
Total Estimated Ending Committed, Assigned, and Unassigned Fund Balance and Budgetary Reserve	47,438,692