

**Financial Statements**

**Lower Merion School District**  
**Montgomery County, Pennsylvania**

**June 30, 2014**

*Rainer*  
& Company

A Professional Corporation  
Certified Public Accountants

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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lower Merion School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lower Merion School District, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter

### *Change in Accounting Principle*

As described in Note 14 to the financial statements, during the fiscal year ended June 30, 2014, the District adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 15, budgetary comparison information on page 46, and the schedule of post employment benefit obligation funding progress on page 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2014, on our consideration of Lower Merion School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lower Merion School District's internal control over financial reporting and compliance.

  
Rainer & Company

Newtown Square, PA  
December 12, 2014

**LOWER MERION SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2014**

The discussion and analysis of Lower Merion School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the financial statements and the notes to the financial statements.

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

**FINANCIAL HIGHLIGHTS**

The trends of prior years indicated that during the fiscal year 2013-14, the Lower Merion School District would experience another year of increased staff for special education instruction and student enrollment growth, benefits for our employees and increased energy costs. In the budgeting process for the 2013-14 Budget, the Board of School Directors was able to balance the budget with a .8976 mills increase (\$8.976 per \$10,000 of assessed value) to the taxpayers within the District. The actual results of operations showed that some of these expenditures did not increase as much as was anticipated when the budget was prepared. This resulted in the savings being added to the beginning fund balance for school year 2013-14. The combination of revenues exceeding the budget and less expenditures than budgeted resulted in the opportunity for the Board to transfer additional funds into the Capital Reserve Fund. The fund balance commitment categories are for future pension obligations, postemployment benefit obligations, future capital projects as well as stabilization of variable rate bonds.

**OVERVIEW OF FINANCIAL STATEMENTS**

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

**Government-Wide Financial Statements**

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

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

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

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

**LOWER MERION SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2014**

**Government-Wide Financial Statements (Continued)**

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

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

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

**Fund Level Financial Statements**

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

- **Governmental Funds** - Most of the District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. Governmental funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.
- **Proprietary Funds** - These funds are used to account for District activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the District charges customers for services it provides - whether to outside customers or to other units in the District - these services are generally reported in proprietary funds. The Food Service Fund is the District's proprietary fund and is the same as the business-type activities we report in the government-wide statements.
- **Fiduciary Funds** - The District is the trustee, or fiduciary, for some scholarship funds. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations.

**LOWER MERION SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2014**

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

**FINANCIAL ANALYSIS OF THE DISTRICT - GOVERNMENT-WIDE STATEMENTS**

The District's total net position was \$195,355,015 and \$186,854,663 at June 30, 2014 and 2013, respectively. The following table presents condensed financial information for the net position of the District as of June 30, 2014 and 2013:

**Schedule of Net Position**  
**Years Ended June 30, 2014 and 2013**

	Governmental Activities		Business-Type Activities		Total	
	(RESTATED)				(RESTATED)	
	2014	2013	2014	2013	2014	2013
Current Assets	\$ 106,055,454	\$ 97,991,850	\$ 1,072,550	\$ 800,843	\$ 107,128,004	\$ 98,792,693
Capital Assets	411,378,467	409,531,647	60,201	51,801	411,438,668	409,583,448
Deferred Outflows of Resources	12,420,005	13,261,917	0	0	12,420,005	13,261,917
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>529,853,926</b>	<b>520,785,414</b>	<b>1,132,751</b>	<b>852,644</b>	<b>530,986,677</b>	<b>521,638,058</b>
Current Liabilities	41,583,524	35,400,350	302,057	279,761	41,885,581	35,680,111
Noncurrent Liabilities	293,746,081	299,103,284	0	0	293,746,081	299,103,284
<b>TOTAL LIABILITIES</b>	<b>335,329,605</b>	<b>334,503,634</b>	<b>302,057</b>	<b>279,761</b>	<b>335,631,662</b>	<b>334,783,395</b>
<b>Net Position:</b>						
Invested in Capital Assets, Net of Related Debt	121,782,303	116,077,752	60,201	51,801	121,842,504	116,129,553
Restricted: Capital Projects	21,919,341	18,454,771	0	0	21,919,341	18,454,771
Unrestricted	50,822,677	51,749,257	770,493	521,082	51,593,170	52,270,339
<b>TOTAL NET POSITION</b>	<b>\$ 194,524,321</b>	<b>\$ 186,281,780</b>	<b>\$ 830,694</b>	<b>\$ 572,883</b>	<b>\$ 195,355,015</b>	<b>\$ 186,854,663</b>

The unrestricted net position consists mainly of amounts set aside to fund capital improvements, the replacement of and additions to public works and improvements, and for deferred maintenance thereof.

**LOWER MERION SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2014**

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

The following table presents condensed financial information for the Statement of Activities in a different format to show total revenues for the year. Compared to the prior year, the District's total revenues increased by \$10,758,241 or 5.15%. Property taxes, which include current and interim real estate taxes, increased by \$7,544,861 or 4.29%. Investment earnings decreased by \$31,625 or 11.86%. Governmental activities expenses increased by \$8,997,313 or 4.45%. Instruction expense increased by \$6,853,198 or 6.10%.

**Changes in Net Position**  
**For the Years Ended June 30, 2014 and 2013**

	Governmental Activities		Business-Type Activities		Total	
	(RESTATED)				(RESTATED)	
	2014	2013	2014	2013	2014	2013
<b>REVENUES:</b>						
Program Services:						
Charges for Services	\$ 726,980	\$ 519,969	\$ 2,642,109	\$2,473,701	\$ 3,369,089	\$ 2,993,670
Operating Grants and Contributions	17,837,560	15,174,011	685,349	617,136	18,522,909	15,791,147
General Revenues:						
Property Taxes	183,606,996	176,062,135	0	0	183,606,996	176,062,135
Other Taxes	3,945,927	3,787,333	0	0	3,945,927	3,787,333
Grants, Subsidies and Contributions Not Restricted	9,971,698	9,979,390	0	0	9,971,698	9,979,390
Investment Earnings	235,099	266,724	0	0	235,099	266,724
Misellaneous Income (Loss)	50,097	63,175	0	0	50,097	63,175
Transfers In (Out)	(100,000)	(100,000)	100,000	100,000	0	0
<b>TOTAL REVENUES</b>	<b>216,274,357</b>	<b>206,752,737</b>	<b>3,427,458</b>	<b>3,190,837</b>	<b>219,701,815</b>	<b>208,943,574</b>
<b>EXPENSES:</b>						
Instruction	119,168,626	112,315,428	0	0	119,168,626	112,315,428
Instructional Student Support	16,927,752	17,722,378	0	0	16,927,752	17,722,378
Administrative and Financial Support	12,593,080	11,771,104	0	0	12,593,080	11,771,104
Operation and Maintenance of Plant Services	22,545,024	20,934,484	0	0	22,545,024	20,934,484
Pupil Transportation	11,283,016	10,345,646	0	0	11,283,016	10,345,646
Student Activities	4,264,472	4,077,772	0	0	4,264,472	4,077,772
Community Services	172,316	176,274	0	0	172,316	176,274
Interest on Long-Term Debt	10,770,212	11,560,976	0	0	10,770,212	11,560,976
Unallocated Depreciation Expense	10,307,318	10,183,433	0	0	10,307,318	10,183,433
Food Services	0	0	3,169,647	3,116,655	3,169,647	3,116,655
<b>TOTAL EXPENSES</b>	<b>208,031,816</b>	<b>199,087,495</b>	<b>3,169,647</b>	<b>3,116,655</b>	<b>211,201,463</b>	<b>202,204,150</b>
<b>CHANGE IN NET POSITION</b>	<b>\$ 8,242,541</b>	<b>\$ 6,665,242</b>	<b>\$ 257,811</b>	<b>\$ 74,182</b>	<b>\$ 8,500,352</b>	<b>\$ 6,739,424</b>

**LOWER MERION SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2014**

**EXPENSES**

The following table presents condensed financial information on the expenses of the District by function. The table illustrates both the gross and net costs of services. Unrestricted grants, subsidies and contributions are deducted to reflect the amount needed to be funded by other revenue sources. The amount needed to be funded by other revenue sources increased by \$6,081,453 or 3.5% more than the prior year.

**Expense Analysis**  
**For the Years Ended June 30, 2014 and 2013**

	Total Cost of Services		Net Cost of Services	
	2014	2013	2014	2013
Expenses - Governmental Activities:				
Instruction	\$ 119,168,626	\$ 112,315,428	\$ 107,921,467	\$ 102,922,224
Instructional Student Support	16,927,752	17,722,378	15,690,402	16,609,453
Administrative and Financial Support	12,593,080	11,771,104	11,434,479	10,906,484
Operation and Maintenance of Plant Services	22,545,024	20,934,484	21,363,342	20,131,197
Pupil Transportation	11,283,016	10,345,646	7,903,468	7,125,957
Student Activities	4,264,472	4,077,772	3,904,272	3,777,517
Community Services	172,316	176,274	172,316	176,274
Interest on Long-Term Debt	10,770,212	11,560,976	10,770,212	11,560,976
Unallocated Depreciation Expense	10,307,318	10,183,433	10,307,318	10,183,433
<b>TOTAL EXPENSES</b>	<b>\$ 208,031,816</b>	<b>\$ 199,087,495</b>	<b>189,467,276</b>	<b>183,393,515</b>
Less: Grants, Subsidies and Contributions Not Restricted			<u>(9,971,698)</u>	<u>(9,979,390)</u>
<b>AMOUNT NEEDED TO BE FUNDED BY   OTHER REVENUE SOURCES</b>			<b>\$ 179,495,578</b>	<b>\$ 173,414,125</b>

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

**Business-Type Activities**  
**For the Years Ended June 30, 2014 and 2013**

	Total Cost of Services		Net (Benefit) Cost of Services	
	2014	2013	2014	2013
Expenses - Business-Type Activities:				
Food Services	\$ 3,169,647	\$ 3,116,655	\$ (257,811)	\$ (74,182)

**LOWER MERION SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2014**

**THE DISTRICT FUNDS**

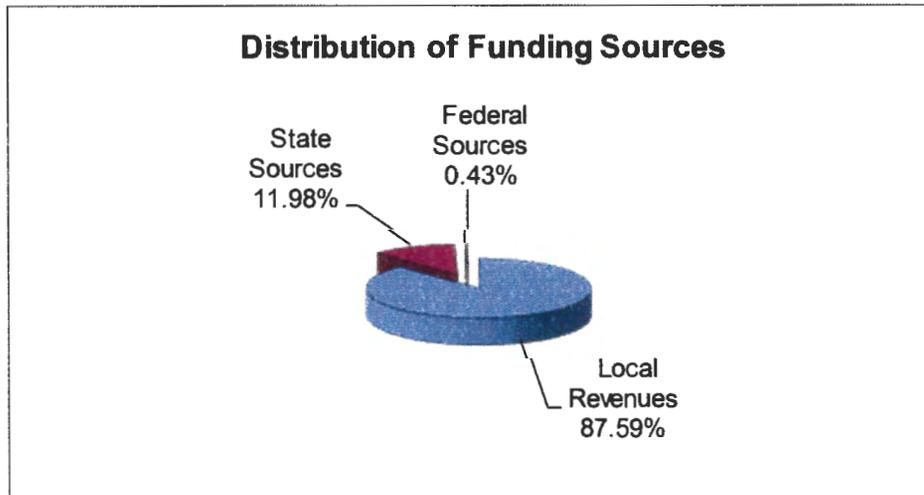
**GENERAL FUND**

At June 30, 2014, the District reported a fund balance of \$56,257,993, which consists of \$336,199 as nonspendable fund balance, \$35,800,000 as committed fund balance and \$20,121,794 as unassigned fund balance. This is an increase of \$17,872 from the prior year. The School Board of the Lower Merion School District consciously maintains a fund balance to respond to unforeseen contingencies. This philosophy was established in response to a healthy and growing economy within our District and accurate and timely forecasting which allows the District to constantly monitor economic trends within our community. This philosophy conforms to the Board's belief that the tax burden should be aligned with the current funding needs of the District.

**Revenues**

Revenues totaled \$216,697,343, an increase of \$10,036,504 as compared to the 2012-13 revenues. The following table reflects a comparison of current year revenues with the revenues recognized in the prior year:

	<u>Revenue 2014</u>	<u>% of Total</u>	<u>Increase From 2013</u>	<u>Percentage Increase</u>
Local Revenues	\$ 189,795,481	87.59%	\$ 7,054,639	3.86%
State Sources	25,957,352	11.98%	2,899,814	12.58%
Federal Sources	944,510	0.43%	82,051	9.51%
	<u>\$ 216,697,343</u>	<u>100.00%</u>	<u>\$ 10,036,504</u>	<u>4.86%</u>



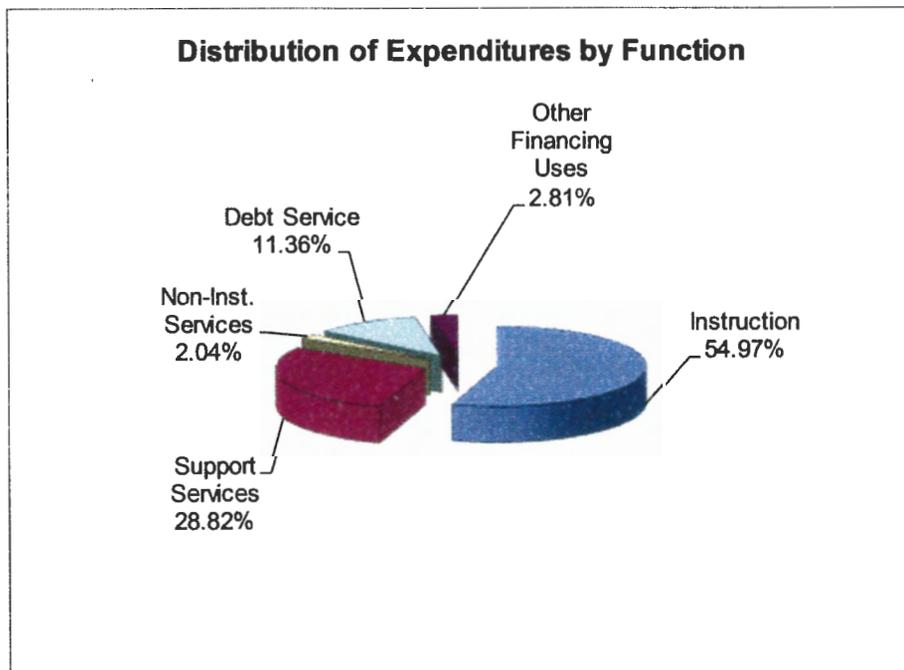
**LOWER MERION SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2014**

The District balanced the budget by utilizing the fund balance from the previous year and increasing the 2013-13 real estate tax rates from 23.4841 to 24.3817 mills. As a result of the increase in millage and increases in real estate assessments, revenues from current, interim and delinquent real estate taxes increased by \$7,053,444. The collection rate for current real estate taxes was 96.65%. This compares with 96.69% in 2012-13. Real estate transfer taxes collections increased by \$149,359. With interest rates lower, the District experienced a decrease in investment revenue of \$25,225 for the general fund.

**Expenditures**

Expenditures, totaling \$216,679,471, increased \$10,047,219 over the 2012-13 expenditures. These expenditures were segregated into various programs depending on the functions of the activity. These programs and the costs associated with each, as well as comparison to the costs incurred in the prior year and the final 2013-14 budget are as follows:

	Expenditures 2014	% of Total	Increase From 2013	Variance with Final Budget - Positive (Negative)
Instruction	\$ 119,105,567	54.97%	\$ 6,800,172	\$ 2,678,897
Support Services	62,451,268	28.82%	1,989,370	4,873,351
Non-Instructional Services	4,411,788	2.04%	187,742	968,060
Debt Service	24,622,789	11.36%	121,909	1,473,786
Other Financing Uses	6,088,059	2.81%	948,026	(5,039,223)
<b>TOTAL EXPENDITURES BY FUNCTION</b>	<b>\$ 216,679,471</b>	<b>100.00%</b>	<b>\$ 10,047,219</b>	<b>\$ 4,954,871</b>



**LOWER MERION SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2014**

The increase in expenditures from 2013-14 is due to increases in a various categories. Our pension obligations increased over \$5 million from the prior year, as a result of the employer contribution rate increasing from 12.36% to 16.93%. Special education costs increased approximately \$2 million from last year and continue to grow with no additional state funding. In addition, there were increases in salaries due to the new collective bargaining agreement and additional staff and educational materials as a result of the student enrollment growth. Also, the Board approved the transfer of \$5.9 million to the Capital Reserve to address future capital needs.

**Budget**

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

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

**CAPITAL PROJECTS FUND**

At June 30, 2014, the District reported a fund balance of \$11,872,832, which is an increase of \$2,693,321 from the prior year. Increases in this fund during 2013-14 include new bond proceeds of \$9,980,000, a bond premium of \$16,168 and investment earnings of \$994. The capital project fund expended \$211,104 in support services and \$7,092,737 for active capital construction projects.

**CAPITAL RESERVE FUND**

At June 30, 2014, the District reported a fund balance of \$10,046,509, which is an increase of \$771,249 from the prior year. Increases in this fund during 2013-14 include a \$5,900,000 transfer from the general fund and investment earnings of \$7,879. The capital reserve fund expended \$3,161,037 in support services and \$1,975,593 in capital outlay expenditures.

**LOWER MERION SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2014**

**CAPITAL ASSETS**

At June 30, 2014, the District's governmental activities and business-type activities had \$411,438,668 invested in a broad range of capital assets, including land, buildings and furniture and equipment. This amount represents a net increase (including additions, deletions and depreciation) of \$1,855,220, or .45% from last year.

The following schedule depicts the change in capital assets for the period July 1, 2013 through June 30, 2014. During this period, the District had the following significant additions in capital assets:

**Schedule of Capital Assets**

	<u>Beginning Balance</u>	<u>Increase (Decrease)</u>	<u>Ending Balance</u>
<b><u>Governmental Activities:</u></b>			
Capital Assets:			
Land	\$ 20,636,896	\$ 0	\$ 20,636,896
Land Improvements	2,198,127	0	2,198,127
Buildings	440,031,137	3,967,168	443,998,305
Construction in Process	835,478	5,168,271	6,003,749
Furniture and Equipment	7,330,976	(116,219)	7,214,757
Transportation	12,496,319	1,365,676	13,861,995
<b>TOTAL CAPITAL ASSETS</b>	<u>483,528,933</u>	<u>10,384,896</u>	<u>493,913,829</u>
Accumulated Depreciation for:			
Land Improvements	60,881,780	17,892	60,899,672
Buildings	2,074,523	8,603,368	10,677,891
Furniture and Equipment	5,644,182	71,914	5,716,096
Transportation	5,396,801	(155,098)	5,241,703
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<u>73,997,286</u>	<u>8,538,076</u>	<u>82,535,362</u>
<b>GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET</b>	<u>\$ 409,531,647</u>	<u>\$ 1,846,820</u>	<u>\$ 411,378,467</u>
<b><u>Business-Type Activities:</u></b>			
Capital Assets:			
Machinery and Equipment	\$ 161,514	\$ (36,169)	\$ 125,345
Accumulated Depreciation for:			
Machinery and Equipment	109,713	(44,569)	65,144
<b>BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET</b>	<u>\$ 51,801</u>	<u>\$ 8,400</u>	<u>\$ 60,201</u>

**LOWER MERION SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
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**DEBT ADMINISTRATION**

As of July 1, 2013, the District had total outstanding bond principal of \$287,520,000. In May 2014, the District issued \$9,980,000 in bonds for the purpose of financing construction projects. During the year, the District paid principal in the amount of \$13,185,000 resulting in ending outstanding debt as of June 30, 2014 of \$284,315,000.

**Debt Service Schedule**  
**June 30, 2014**

	<u>Principal Outstanding July 1, 2013</u>	<u>Maturities</u>	<u>Additions (Refinancing)</u>	<u>Principal Outstanding June 30, 2014</u>
General Obligation Note, Series of 1989	\$ 23,500,000	\$ 1,800,000	\$ 0	\$ 21,700,000
General Obligation Bonds, Series A of 2006	32,740,000	165,000	0	32,575,000
General Obligation Bonds, Series of 2007	63,830,000	1,965,000	0	61,865,000
General Obligation Bonds, Series A & B of 2009	85,610,000	4,555,000	0	81,055,000
General Obligation Bonds, Series of 2012	25,020,000	4,690,000	0	20,330,000
General Obligation Bonds, Series A of 2012	47,010,000	5,000	0	47,005,000
General Obligation Bonds, Series of 2013	9,810,000	5,000	0	9,805,000
General Obligation Bonds, Series of 2014	0	0	9,980,000	9,980,000
	<u>\$ 287,520,000</u>	<u>\$ 13,185,000</u>	<u>\$ 9,980,000</u>	<u>\$ 284,315,000</u>

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

**THE DISTRICT'S FUTURE**

The total District enrollment has increased over the last five school years resulting from out of state move-ins, private school students enrolling in public schools and more families with school age children. Over the last 15 years, the District has renovated and expanded all six elementary schools, both middle schools, built two new high schools, Harriton and Lower Merion. The District has an extensive network infrastructure and a district-wide area network. All schools are connected to the network.

A district-wide facilities study was completed in 2012. The study indicates that enrollment will continue to increase in the next decade. The school board approved additions and renovations to Gladwyne Elementary School, Penn Valley Elementary School, Bala Cynwyd Middle School and Welsh Valley Middle School. The estimated cost is \$26 million. The elementary school projects will be completed in the 2014/15 school year and the middle school projects are expected to be completed for the 2015/16 school year.

**LOWER MERION SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2014**

**STRATEGIC PLAN**

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

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

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

**MISSION STATEMENT**

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

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

**VISION STATEMENT**

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

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

Enter to learn. Go forth to serve.

**LOWER MERION SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2014**

**BELIEFS**

Our deepest convictions and values;

We believe that:

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

**STRATEGIC GOALS**

Goal A: Curriculum - Develop and implement an integrated, coherent, culturally proficient and rigorous curriculum with relevant instruction and assessment framework.

Goal B: Student Achievement - 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.

Goal C: Achievement Gaps - To significantly decrease and/or eliminate the achievement gap for all African American students, and for other groups of students where data show the gaps exist.

Goal D: Mathematics - By 2014, all students attending the Lower Merion School District will demonstrate proficiency in mathematics as measured by the Pennsylvania System of School Assessment (PSSA).

Goal E: Reading - By 2014, all students attending Lower Merion School District will demonstrate proficiency in reading skills as measured by the Pennsylvania System of School Assessment (PSSA).

Goal F: Address Holistic Needs of Students - 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.

Goal G: Student Participation in State Assessments - At least 95% of eligible students will participate in required state-wide assessments.

Goal H: Student Attendance - Student attendance will meet a 90% threshold and/or show growth (any school that does not graduate seniors).

Goal I: Four Year Graduation Rate - 100% of LMSD students will graduate from HS within 5 years of starting high school (for districts and schools that graduate seniors).

**LOWER MERION SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2014**

**STRATEGIC GOALS** (Continued)

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

Goal K: Facilities - Provide facilities to insure high quality educational programs while reducing the impact on the environment.

Goal L: Educational Technology - To implement technology for teaching and learning so that all students will develop the 21st Century Learning Skills needed for their future.

**FINANCIAL MANAGEMENT**

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

**LOWER MERION SCHOOL DISTRICT**  
**Statement of Net Position**  
**June 30, 2014**

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Current:</b>			
Cash and Cash Equivalents	\$ 35,436,312	\$ 0	\$ 35,436,312
Investments	59,596,067	550,233	60,146,300
Due from Other Governments	4,483,547	77,596	4,561,143
Other Receivables	104,465	76,413	180,878
Property Taxes Receivable, Net	2,906,014	0	2,906,014
Internal Balances	3,192,850	276,441	3,469,291
Inventories	0	91,867	91,867
Prepaid Expenses	336,199	0	336,199
<b>TOTAL CURRENT ASSETS</b>	<b>106,055,454</b>	<b>1,072,550</b>	<b>107,128,004</b>
<b>Capital:</b>			
Land	20,636,896	0	20,636,896
Land Improvements	2,198,127	0	2,198,127
Buildings	443,998,305	0	443,998,305
Construction in Progress	6,003,749	0	6,003,749
Furniture and Equipment	7,214,757	125,345	7,340,102
Transportation Equipment	13,861,995	0	13,861,995
Less: Accumulated Depreciation	(82,535,362)	(65,144)	(82,600,506)
<b>TOTAL CAPITAL ASSETS, NET</b>	<b>411,378,467</b>	<b>60,201</b>	<b>411,438,668</b>
<b>TOTAL ASSETS</b>	<b>517,433,921</b>	<b>1,132,751</b>	<b>518,566,672</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflows of Resources - Accumulated Decrease in Fair Value of Hedging Derivatives	12,420,005	0	12,420,005
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 529,853,926</b>	<b>\$ 1,132,751</b>	<b>\$ 530,986,677</b>
<b>LIABILITIES</b>			
<b>Current:</b>			
Accounts Payable and Other Current Liabilities	\$ 24,950,535	\$ 52,232	\$ 25,002,767
Internal Balances	0	109,058	109,058
Bonds Payable Due Within One Year	14,470,000	0	14,470,000
Unearned Revenues	642,101	140,767	782,868
Accrued Interest	1,520,888	0	1,520,888
<b>TOTAL CURRENT LIABILITIES</b>	<b>41,583,524</b>	<b>302,057</b>	<b>41,885,581</b>
<b>Long-Term:</b>			
Bonds Payable Due After One Year	275,126,164	0	275,126,164
Deferred Instrument - Interest Rate Swap	12,420,005	0	12,420,005
Accrued Post Employment Benefits and Compensated Absences	6,199,912	0	6,199,912
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>293,746,081</b>	<b>0</b>	<b>293,746,081</b>
<b>TOTAL LIABILITIES</b>	<b>335,329,605</b>	<b>302,057</b>	<b>335,631,662</b>
<b>NET POSITION</b>			
Invested in Capital Assets, Net of Related Debt	121,782,303	60,201	121,842,504
Restricted for: Capital Projects	21,919,341	0	21,919,341
Unrestricted	50,822,677	770,493	51,593,170
<b>TOTAL NET POSITION</b>	<b>194,524,321</b>	<b>830,694</b>	<b>195,355,015</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 529,853,926</b>	<b>\$ 1,132,751</b>	<b>\$ 530,986,677</b>

The accompanying notes are an integral part of this statement.

**LOWER MERION SCHOOL DISTRICT**  
**Statement of Activities**  
 For the Year Ended June 30, 2014

FUNCTIONS/PROGRAMS	Program Revenues			Net Revenues (Expenses) and Changes in Net Assets			
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
Instruction	\$ 119,168,626	\$ (431,759)	\$ (10,815,400)	\$ 0	\$ (107,921,467)	\$ 0	\$ (107,921,467)
Instructional Student Support	16,927,752	0	(1,237,350)	0	(15,690,402)	0	(15,690,402)
Administrative and Financial Support Services	12,593,080	0	(1,158,601)	0	(11,434,479)	0	(11,434,479)
Operation and Maintenance of Plant Services	22,545,024	(268,644)	(913,038)	0	(21,363,342)	0	(21,363,342)
Pupil Transportation	11,283,016	0	(3,379,548)	0	(7,903,468)	0	(7,903,468)
Student Activities	4,264,472	(26,577)	(333,623)	0	(3,904,272)	0	(3,904,272)
Community Services	172,316	0	0	0	(172,316)	0	(172,316)
Interest on Long-Term Debt	10,770,212	0	0	0	(10,770,212)	0	(10,770,212)
Unallocated Depreciation Expense	10,307,318	0	0	0	(10,307,318)	0	(10,307,318)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>208,031,816</b>	<b>(726,980)</b>	<b>(17,837,560)</b>	<b>0</b>	<b>(189,467,276)</b>	<b>0</b>	<b>(189,467,276)</b>
<b>Business-Type Activities:</b>							
Food Services	3,169,647	(2,642,109)	(685,349)	0	0	157,811	157,811
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 211,201,463</b>	<b>\$ (3,369,089)</b>	<b>\$ (18,522,909)</b>	<b>\$ 0</b>	<b>(189,467,276)</b>	<b>157,811</b>	<b>(189,309,465)</b>
<b>General Revenues:</b>							
<b>Taxes:</b>							
Property Taxes, Levied for General Purposes, Net					183,606,996	0	183,606,996
Public Utility Realty, Earned Income and Realty					3,945,927	0	3,945,927
Transfer Taxes, Levied for General Purposes, Net					9,971,698	0	9,971,698
Grants, Subsidies and Contributions Not Restricted					235,099	0	235,099
Investment Earnings					(100,000)	100,000	0
Transfers					50,097	0	50,097
Miscellaneous Income							
<b>TOTAL GENERAL REVENUES</b>					<b>197,709,817</b>	<b>100,000</b>	<b>197,809,817</b>
<b>CHANGE IN NET POSITION</b>					<b>8,242,541</b>	<b>257,811</b>	<b>8,500,352</b>
Net Position - July 1, 2013					188,301,452	572,883	188,874,335
Prior Period Adjustment					(2,019,672)	0	(2,019,672)
<b>NET POSITION - JULY 01, 2013 (RESTATED)</b>					<b>186,281,780</b>	<b>572,883</b>	<b>186,854,663</b>
<b>NET POSITION - JUNE 30, 2014</b>					<b>\$ 194,524,321</b>	<b>\$ 830,694</b>	<b>\$ 195,355,015</b>

The accompanying notes are an integral part of this statement.

**LOWER MERION SCHOOL DISTRICT**

Balance Sheet  
Governmental Funds  
June 30, 2014

<u>ASSETS</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Capital Reserve Fund</u>	<u>Total Governmental Funds</u>
Cash and Cash Equivalents	\$ 35,436,312	\$ 0	\$ 0	\$ 35,436,312
Investments	40,954,037	12,912,687	5,729,343	59,596,067
Taxes Receivable, Net	2,906,014	0	0	2,906,014
Due from Other Funds	3,481,986	0	5,897,340	9,379,326
Due from Other Governments	4,483,547	0	0	4,483,547
Other Receivables	98,288	0	6,177	104,465
Prepaid Expenses	336,199	0	0	336,199
<b>TOTAL ASSETS</b>	<b><u>\$ 87,696,383</u></b>	<b><u>\$ 12,912,687</u></b>	<b><u>\$ 11,632,860</u></b>	<b><u>\$ 112,241,930</u></b>
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>				
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 3,335,116	\$ 1,039,855	\$ 1,586,351	\$ 5,961,322
Due to Other Funds	6,186,476	0	0	6,186,476
Payroll Accruals and Withholdings	18,989,213	0	0	18,989,213
Unearned Revenues	642,101	0	0	642,101
<b>TOTAL LIABILITIES</b>	<b><u>29,152,906</u></b>	<b><u>1,039,855</u></b>	<b><u>1,586,351</u></b>	<b><u>31,779,112</u></b>
Deferred Inflows of Resources:				
Unavailable Revenue - Property Taxes	2,285,484	0	0	2,285,484
Fund Balances:				
Nonspendable	336,199	0	0	336,199
Committed	35,800,000	0	0	35,800,000
Assigned	0	11,872,832	10,046,509	21,919,341
Unassigned	20,121,794	0	0	20,121,794
<b>TOTAL FUND BALANCES</b>	<b><u>56,257,993</u></b>	<b><u>11,872,832</u></b>	<b><u>10,046,509</u></b>	<b><u>78,177,334</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b><u>\$ 87,696,383</u></b>	<b><u>\$ 12,912,687</u></b>	<b><u>\$ 11,632,860</u></b>	<b><u>\$ 112,241,930</u></b>

The accompanying notes are an integral part of this statement.

**LOWER MERION SCHOOL DISTRICT**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**June 30, 2014**

Total Fund Balances - Governmental Funds		\$ 78,177,334
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of assets is \$493,913,829, and the accumulated depreciation is \$82,535,362</p>		411,378,467
<p>Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred</p>		2,285,484
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:</p>		
Bonds Payable	\$ (289,596,164)	
Accrued Interest on the Bonds	(1,520,888)	
Accrued Compensated Absences	(638,361)	
Accrued Severance	(1,677,146)	
Accrued Other Post-Employment Benefits	(3,884,405)	(297,316,964)
<b>TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES</b>		<b>\$ 194,524,321</b>

The accompanying notes are an integral part of this statement.

**LOWER MERION SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2014**

	General Fund	Capital Projects Fund	Capital Reserve Fund	Total Governmental Funds
<b>Revenues:</b>				
<b>Local Sources:</b>				
Real Estate Taxes	\$ 183,938,855	\$ 0	\$ 0	\$ 183,938,855
Realty Transfer Tax	3,500,542	0	0	3,500,542
Earned Income Taxes	221,414	0	0	221,414
Earnings from Investments	226,325	994	7,879	235,198
Other Local Revenues	1,908,345	0	0	1,908,345
State Sources	25,957,352	0	0	25,957,352
Federal Sources	944,510	0	0	944,510
<b>TOTAL REVENUES</b>	<b>216,697,343</b>	<b>994</b>	<b>7,879</b>	<b>216,706,216</b>
<b>Expenditures:</b>				
Instruction	119,105,567	0	0	119,105,567
Support Services	62,451,268	211,104	3,161,037	65,823,409
Non-Instructional Services	4,411,788	0	0	4,411,788
Capital Outlay	0	7,092,737	1,975,593	9,068,330
Debt Service (Principal and Interest)	24,622,789	0	0	24,622,789
<b>TOTAL EXPENDITURES</b>	<b>210,591,412</b>	<b>7,303,841</b>	<b>5,136,630</b>	<b>223,031,883</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>6,105,931</b>	<b>(7,302,847)</b>	<b>(5,128,751)</b>	<b>(6,325,667)</b>
<b>Other Financing Sources (Uses):</b>				
Bond Proceeds	0	9,980,000	0	9,980,000
Bond Premium	0	16,168	0	16,168
Refunds of Prior Years Revenues	(63,059)	0	0	(63,059)
Interfund Transfers In	0	0	5,900,000	5,900,000
Interfund Transfers Out	(6,025,000)	0	0	(6,025,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(6,088,059)</b>	<b>9,996,168</b>	<b>5,900,000</b>	<b>9,808,109</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>17,872</b>	<b>2,693,321</b>	<b>771,249</b>	<b>3,482,442</b>
Fund Balances - July 1, 2013	56,240,121	9,179,511	9,275,260	74,694,892
<b>FUND BALANCES - JUNE 30, 2014</b>	<b>\$ 56,257,993</b>	<b>\$ 11,872,832</b>	<b>\$ 10,046,509</b>	<b>\$ 78,177,334</b>

The accompanying notes are an integral part of this statement.

**LOWER MERION SCHOOL DISTRICT**  
Reconciliation of the Governmental Funds  
Statement of Revenues, Expenditures and Changes in Fund Balances  
to the Statement of Activities  
For the Year Ended June 30, 2014

Total Net Change in Fund Balances - Governmental Funds \$ 3,482,442

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

Capital outlays are reported in governmental funds as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense for the period

Capital Outlay	\$ 12,154,138	
Depreciation Expense	<u>(10,307,318)</u>	1,846,820

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

Bond Proceeds	\$ (9,980,000)	
Principal Payments on Long-Term Liabilities	<u>13,185,000</u>	3,205,000

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

652,731

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

(331,859)

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

Accrued Post-Employment Benefits and Compensated Absences	\$ (627,440)	
Accrued Interest on the Bonds	<u>14,847</u>	<u>(612,593)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 8,242,541</u>
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**LOWER MERION SCHOOL DISTRICT**  
Statement of Net Position  
Proprietary Funds  
June 30, 2014

<u>ASSETS</u>	<u>Food Services</u>
Current:	
Investments	\$ 550,233
Other Receivables	76,413
Due from Other Funds	276,441
Due from Other Governments	77,596
Inventories	91,867
TOTAL CURRENT ASSETS	<u>1,072,550</u>
Non-Current:	
Furniture and Equipment	125,345
Less: Accumulated Depreciation	<u>(65,144)</u>
TOTAL NON-CURRENT ASSETS	<u>60,201</u>
 TOTAL ASSETS	 <u><u>\$1,132,751</u></u>
 <u>LIABILITIES</u>	
Current:	
Accounts Payable and Accrued Liabilities	\$ 52,232
Due to Other Funds	109,058
Unearned Revenues	140,767
TOTAL LIABILITIES	<u>302,057</u>
 <u>NET POSITION</u>	
Invested in Capital Assets	60,201
Unrestricted	<u>770,493</u>
TOTAL NET POSITION	<u>830,694</u>
 TOTAL LIABILITIES AND POSITION	 <u><u>\$1,132,751</u></u>

The accompanying notes are an integral part of this statement.

**LOWER MERION SCHOOL DISTRICT**  
**Statement of Revenues, Expenses and**  
**Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2014**

Operating Revenues:		
Food Service Revenue		\$ 2,642,109
Cost of Sales:		
Inventories - July 1, 2013	\$ 100,124	
Purchases of Food, Milk and Donated Commodities	1,371,286	
COST OF GOODS AVAILABLE FOR SALE	<u>1,471,410</u>	
Less: Inventories - June 30, 2014	<u>91,867</u>	
TOTAL COST OF SALES		<u>1,379,543</u>
GROSS PROFIT		1,262,566
Operating Expenses:		
Payroll	1,125,899	
Employee Benefits	624,161	
Depreciation	15,898	
Other Operating Expenses	24,146	
TOTAL OPERATING EXPENSES	<u>1,790,104</u>	
OPERATING LOSS		(527,538)
Non-Operating Revenues:		
Earnings on Investments	147	
Gain on Sale of Equipment	183	
Federal Subsidies	499,728	
State Subsidies	185,291	
TOTAL NON-OPERATING REVENUES	<u>685,349</u>	
INCOME BEFORE OPERATING TRANSFERS IN		157,811
Other Financing Sources:		
Operating Transfers In		<u>100,000</u>
NET INCOME		257,811
Net Position - July 1, 2013		<u>572,883</u>
NET POSITION - JUNE 30, 2014		<u><u>\$ 830,694</u></u>

The accompanying notes are an integral part of this statement.

**LOWER MERION SCHOOL DISTRICT**  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2014

	Food Services
Cash Flows From Operating Activities:	
Cash Received from Users	\$ 2,673,643
Cash Payments to Employees for Services	(2,009,967)
Cash Payments to Suppliers for Goods and Services	(1,394,128)
NET CASH USED BY OPERATING ACTIVITIES	(730,452)
Cash Flows From Non-Capital Financing Activities:	
State Sources	184,466
Federal Sources	493,815
Operating Transfers In	100,000
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	778,281
Cash Flows From Capital and Related Financing Activities:	
Acquisition of Capital Assets	(29,115)
Proceeds from Sale of Capital Assets	5,000
NET CASH USED BY NON-CAPITAL FINANCING ACTIVITIES	(24,115)
Cash Flows From Investing Activities:	
Purchase of Investments/Deposits to Investment Pools	(23,714)
NET INCREASE IN CASH AND CASH EQUIVALENTS	0
Cash and Cash Equivalents - July 1, 2013	0
CASH AND CASH EQUIVALENTS - JUNE 30, 2014	\$ 0

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

Operating Loss	\$ (527,538)
Adjustments to Reconcile Operating Loss to Net Cash	
Used by Operating Activities:	
Depreciation	15,898
Changes in Assets and Liabilities:	
Receivables	27,076
Inventories	8,257
Accounts Payable and Accrued Liabilities	(258,603)
Unearned Revenues	4,458
NET CASH USED BY OPERATING ACTIVITIES	\$ (730,452)

The accompanying notes are an integral part of this statement.

**LOWER MERION SCHOOL DISTRICT**  
Statement of Fiduciary Net Position  
June 30, 2014

<u>ASSETS</u>	<u>Employee Trust</u>	<u>Private- Purpose Trusts</u>	<u>Agency Funds</u>
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 353,521
Investments	558,167	136,748	5,474,402
Due from Other Funds	0	0	10,035
<b>TOTAL ASSETS</b>	<b><u>\$ 558,167</u></b>	<b><u>\$ 136,748</u></b>	<b><u>\$ 5,837,958</u></b>
<u>LIABILITIES</u>			
Payroll Withholdings	\$ 0	\$ 0	\$ 2,114,134
Accounts Payable	0	0	2,822
Due to Other Funds	0	0	3,370,268
Due to Student Groups	0	0	350,734
<b>TOTAL LIABILITIES</b>	<b><u>\$ 0</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 5,837,958</u></b>
<u>NET POSITION</u>			
Reserved for Scholarships	\$ 0	\$ 136,748	
Reserved for Employee Benefits	558,167	0	
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b><u>\$ 558,167</u></b>	<b><u>\$ 136,748</u></b>	

The accompanying notes are an integral part of this statement.

**LOWER MERION SCHOOL DISTRICT**  
**Statement of Changes in Fiduciary Net Position**  
**For the Year Ended June 30, 2014**

	<u>Employee Trust</u>	<u>Private- Purpose Trusts</u>
Additions:		
Contributions:		
Employee Contributions	\$ 1,909	\$ 0
Investment Income:		
Earnings from Investments	<u>108</u>	<u>15</u>
TOTAL ADDITIONS	<u>2,017</u>	<u>15</u>
Deductions:		
Benefits Paid	<u>54,918</u>	<u>8,000</u>
CHANGE IN NET POSITION	(52,901)	(7,985)
Net Position - July 1, 2013	<u>611,068</u>	<u>144,733</u>
NET POSITION - JUNE 30, 2014	<u>\$ 558,167</u>	<u>\$ 136,748</u>

The accompanying notes are an integral part of this statement.

**LOWER MERION SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2014**

**NOTE 1 - Summary of Significant Accounting Policies**

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

**A. Reporting Entity**

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

**B. Government-Wide and Fund Financial Statements**

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

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

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

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

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

**LOWER MERION SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2014**

**NOTE 1 - Summary of Significant Accounting Policies (Continued)**

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

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

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

The District reports the following major government funds:

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

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

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

The District reports the following major proprietary funds:

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

Additionally, the District reports the following fund types:

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

**LOWER MERION SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2014**

**NOTE 1 - Summary of Significant Accounting Policies (Continued)**

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

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

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

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

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

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

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

**Deposits and Investments**

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

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

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

**LOWER MERION SCHOOL DISTRICT**  
Notes to Financial Statements  
June 30, 2014

NOTE 1 - Summary of Significant Accounting Policies (Continued)

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

Receivables and Payables

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

All trade and property tax receivables are shown net of any allowance for uncollectibles. There is no property tax receivable allowance at June 30, 2014.

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

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

Inventories

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

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$10,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

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

**LOWER MERION SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2014**

**NOTE 1 - Summary of Significant Accounting Policies (Continued)**

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

**Deferred Outflows of Resources**

The District reports decreases in net assets that relate to future periods as deferred outflows of resources in the government-wide financial statements. The only deferred outflow of resources reported in the District's financial statements is the deferred amount related to the accumulated decrease in the fair value of hedging derivatives.

**Deferred Inflows of Resources**

The District's 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). The District will not recognize the related revenues until a future event occurs. The District has only one type of item which occurs because governmental fund revenues are not recognized until available under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, deferred delinquent taxes are reported in the governmental funds balance sheet. The District did not have deferred inflows of resources to report in its government-wide or proprietary fund financial statements for the current year.

**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

**LOWER MERION SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2014**

**NOTE 1 - Summary of Significant Accounting Policies (Continued)**

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

**Long-Term Obligations (Continued)**

reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Government-Wide and Proprietary Fund Net Position**

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

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

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

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

**Governmental Fund Balances**

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

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

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

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

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

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

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

**LOWER MERION SCHOOL DISTRICT**

**Notes to Financial Statements**

**June 30, 2014**

**NOTE 1 - Summary of Significant Accounting Policies (Continued)**

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

**Governmental Fund Balances (Continued)**

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

**NOTE 2 - Budgetary Information**

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

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

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

**NOTE 3 - Deposits and Investments**

**Deposits** - At year end, the total carrying amount of the District's checking, savings and certificates of deposit (including trust and agency funds) was \$35,789,833, and the corresponding bank balance was \$35,823,124.

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

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

**LOWER MERION SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2014**

**NOTE 3 - Deposits and Investments (Continued)**

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

**Custodial Credit Risk - Investments** - For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The District has no investment subject to custodial credit risk.

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

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

**Concentration of Credit Risk** - The District investment policy states that unless covered by 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.

	<u>Credit Rating</u>	<u>Fair Value</u>
<b>Pooled Investments:</b>		
Pennsylvania School District Liquid Asset Fund:		
General Fund Accounts	AAA	\$ 23,229,961
Capital Reserve Fund Account	AAA	52,075
Food Service Fund Account	AAA	9,149
Trust and Agency Account	AAA	5,611,150
TOTAL		<u>28,902,335</u>
Pennsylvania Local Government Investment Trust:		
General Fund Accounts	AAA	12,723,800
Capital Projects Fund Account	AAA	12,912,687
Capital Reserve Fund Account	AAA	5,039,473
Food Service Fund Account	AAA	541,084
Trust and Agency Account	AAA	558,167
TOTAL		<u>31,775,211</u>
Pennsylvania Treasurer's Investment Program:		
General Fund Accounts	AAA	276
Capital Reserve Fund Account	AAA	637,795
TOTAL		<u>638,071</u>
TOTAL POOLED INVESTMENTS (CARRIED FORWARD)		<u>\$ 61,315,617</u>

**LOWER MERION SCHOOL DISTRICT**  
Notes to Financial Statements  
June 30, 2014

NOTE 3 - Deposits and Investments (Continued)

TOTAL POOLED INVESTMENTS (BROUGHT FORWARD)		\$ 61,315,617
Other Investments:		
Certificates of Deposit:		
General Fund Accounts	Not Applicable	<u>5,000,000</u>
 TOTAL INVESTMENTS		 <u>\$ 66,315,617</u>

NOTE 4 - Hedging Derivative Instruments

As of June 30, 2014 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, 2014, classified by type, and the change in fair value of the derivative instrument for the year then ended as reported in the 2014 financial statements is as follows (amounts in thousands):

	<u>Changes in Fair Value</u>		<u>Fair Value at June 30, 2014</u>		<u>Notional</u>
	<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	
<b>Governmental activities</b>					
Cash flow hedges:					
Pay-fixed interest rate swaps	Deferred outflow of resources	\$ (842)	Debt	\$(12,420)	\$ 81,055

Fair value - The swap had a negative fair value of \$12,420,005 at June 30, 2014. 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.

Objectives and terms - 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 \$81,055,000 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.

Credit risk - As of June 30, 2014, 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, 2014.

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, 2014, the SIFMA swap index was .06 percent and the Market Rate on the bonds was .06 percent.

**LOWER MERION SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2014**

**NOTE 5 - Taxes Receivable**

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

	<u>General</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Real Estate Taxes	\$ 2,481,054	\$ 0	\$ 2,481,054
Local Services Taxes	45,523	0	45,523
Transfer Taxes	379,437	0	379,437
	<u>NET TAXES RECEIVABLE</u>	<u>\$ 0</u>	<u>\$ 2,906,014</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 \$2,285,484 in the governmental funds. In addition, the District reported unearned revenue in the amount of \$642,101 in both the government-wide and governmental funds.

**NOTE 6 - Interfund Receivables, Payables and Transfers**

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 3,481,986	\$ 6,186,476
Capital Reserve Fund	5,897,340	0
Agency Fund	10,035	3,370,268
Food Service Fund	276,441	109,058
	<u>\$ 9,665,802</u>	<u>\$ 9,665,802</u>
	<u>Transfer to Other Funds</u>	<u>Transfer From Other Funds</u>
General Fund	\$ 6,025,000	\$ 0
Capital Reserve Fund	0	5,900,000
Food Service Fund	0	100,000
Activities Fund	0	25,000
	<u>\$ 6,025,000</u>	<u>\$ 6,025,000</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 activities fund to provide funds for student extra-curricular activities.

**LOWER MERION SCHOOL DISTRICT**

Notes to Financial Statements

June 30, 2014

NOTE 7 - Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital Assets:				
Land	\$ 20,636,896	\$ 0	\$ 0	\$ 20,636,896
Land Improvements	2,198,127	0	0	2,198,127
Buildings	440,031,137	3,967,168	0	443,998,305
Construction in Progress	835,478	9,135,439	(3,967,168)	6,003,749
Furniture and Equipment	7,330,976	232,692	(348,911)	7,214,757
Transportation	12,496,319	2,623,719	(1,258,043)	13,861,995
<b>TOTAL CAPITAL ASSETS</b>	<u>483,528,933</u>	<u>15,959,018</u>	<u>(5,574,122)</u>	<u>493,913,829</u>
Accumulated Depreciation for:				
Land Improvements	60,881,780	17,892	0	60,899,672
Buildings	2,074,523	8,603,368	0	10,677,891
Furniture and Equipment	5,644,182	494,579	(422,665)	5,716,096
Transportation	5,396,801	1,191,479	(1,346,577)	5,241,703
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<u>73,997,286</u>	<u>10,307,318</u>	<u>(1,769,242)</u>	<u>82,535,362</u>
<b>GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET</b>	<u>\$ 409,531,647</u>	<u>\$ 5,651,700</u>	<u>\$ (3,804,880)</u>	<u>\$ 411,378,467</u>
<u>Business-Type Activities:</u>				
Capital Assets:				
Machinery and Equipment	\$ 161,514	\$ 29,115	\$ (65,284)	\$ 125,345
Accumulated Depreciation for:				
Machinery and Equipment	109,713	15,898	(65,467)	65,144
<b>BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET</b>	<u>\$ 51,801</u>	<u>\$ 13,217</u>	<u>\$ (4,817)</u>	<u>\$ 60,201</u>

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

Governmental Activities - Unallocated	\$ 10,307,318
Business-Type Activities	<u>15,898</u>
<b>TOTAL</b>	<u>\$ 10,323,216</u>

**LOWER MERION SCHOOL DISTRICT**  
Notes to Financial Statements  
June 30, 2014

NOTE 8 - Bonds Payable

	Principal Outstanding July 1, 2013	Maturities	Additions	Principal Outstanding June 30, 2014
General Obligation Note Series of 1989	\$ 23,500,000	\$ 1,800,000	\$ 0	\$ 21,700,000
General Obligation Bonds Series A of 2006	32,740,000	165,000	0	32,575,000
General Obligation Bonds Series of 2007	63,830,000	1,965,000	0	61,865,000
General Obligation Bonds Series A & B of 2009	85,610,000	4,555,000	0	81,055,000
General Obligation Bonds Series of 2012	25,020,000	4,690,000	0	20,330,000
General Obligation Bonds Series A of 2012	47,010,000	5,000	0	47,005,000
General Obligation Bonds Series of 2013	9,810,000	5,000	0	9,805,000
General Obligation Bonds Series of 2014	0	0	9,980,000	9,980,000
TOTAL	287,520,000	13,185,000	9,980,000	284,315,000
Less: Deferred Amounts:				
Issuance Premium (Discounts)	8,393,247	(944,622)	16,167	7,464,792
Refunding Deferred Charge	(2,459,352)	275,724	0	(2,183,628)
LONG-TERM DEBT	<u>\$ 293,453,895</u>	<u>\$12,516,102</u>	<u>\$ 9,996,167</u>	<u>\$ 289,596,164</u>

**LOWER MERION SCHOOL DISTRICT**  
Notes to Financial Statements  
June 30, 2014

**NOTE 8 - Bonds Payable** (Continued)

	<u>Current Outstanding Principal</u>
General Obligation Note, Series of 1989. Original principal amount of \$30,000,000, maturing August 1, 2023. The note was advanced by Emmaus General Authority under the Bond Pool Program. Interest is charged at a variable rate equal to the Weekly Rate of the underlying bonds plus .35%. The rate at June 30, 2014 was 0.79%	\$ 21,700,000
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	32,575,000
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	61,865,000
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, 2014 was 0.05%	81,055,000
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	20,330,000
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	47,005,000
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	9,805,000
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	<u>9,980,000</u>
<b>TOTAL</b>	<b><u>\$ 284,315,000</u></b>

**LOWER MERION SCHOOL DISTRICT**  
Notes to Financial Statements  
June 30, 2014

**NOTE 8 - Bonds Payable (Continued)**

The annual requirements to amortize all debts outstanding as of June 30, 2014, are as follows:

<u>Year Ended</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2015	\$ 8,108,261	\$ 14,470,000	\$ 22,578,261
2016	7,772,484	16,650,000	24,422,484
2017	7,385,436	17,295,000	24,680,436
2018	6,874,417	18,075,000	24,949,417
2019	6,324,324	18,905,000	25,229,324
2020-2024	22,690,883	108,105,000	130,795,883
2025-2029	9,107,437	72,565,000	81,672,437
2030-2033	1,531,375	18,250,000	19,781,375
TOTAL MATURITIES	69,794,617	284,315,000	354,109,617
Deferred Amounts	(5,281,164)	5,281,164	0
TOTAL	\$ 64,513,453	\$ 289,596,164	\$ 354,109,617

**Swap Payments and Associated Debt**

*Hedging derivative instrument payments and hedged debt* - As of June 30, 2014, 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>Bonds with Associated Derivatives</u>		<u>Interest Rate</u>	<u>Totals</u>
	<u>Principal</u>	<u>Interest</u>	<u>Swap, Net</u>	
2015	\$ 4,735,000	\$ 730,206	\$ 3,228,220	\$ 8,693,426
2016	4,925,000	688,017	3,039,777	8,652,794
2017	5,135,000	644,132	2,843,775	8,622,907
2018	5,355,000	598,375	2,639,417	8,592,792
2019	5,590,000	550,657	2,426,305	8,566,962
2020-2024	32,070,000	1,958,998	8,584,496	42,613,494
2025-2027	23,245,000	446,792	1,885,755	25,577,547
	<u>\$ 81,055,000</u>	<u>\$ 5,617,177</u>	<u>\$ 24,647,745</u>	<u>\$ 111,319,922</u>

**LOWER MERION SCHOOL DISTRICT**  
Notes to Financial Statements  
June 30, 2014

**NOTE 9 - Accrued Post Employment Benefits and Compensated Absences**

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014
Accrued Compensated Absences	\$ 772,525	\$ 0	\$ 134,164	\$ 638,361
Accrued Severance	1,434,643	242,503	0	1,677,146
Accrued Other Post-Employment Benefits	3,365,304	519,101	0	3,884,405
 TOTAL	 <u>\$ 5,572,472</u>	 <u>\$ 761,604</u>	 <u>\$ 134,164</u>	 <u>\$ 6,199,912</u>

**NOTE 10 - 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.

**NOTE 11 - Employee Retirement Systems and Pension Plans**

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 District, the state and the employee. All full-time employees of the District, and part-time employees who meet certain minimum employment requirements, participate in the program. The District's contributions for the year ended June 30, 2014 totaled \$18,463,776. Total covered payroll was \$109,059,518 and total payroll was \$110,017,706 for the current year. The following is a summary of plan benefit and asset information:

Plan Description:

Name of Plan - The Public School Employees' Retirement System of Pennsylvania (the System).

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

Benefits - Retirement and disability, legislative mandated *ad hoc* cost-of-living adjustments, health care insurance premium assistance to qualified annuitants.

**LOWER MERION SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2014**

**NOTE 11 - Employee Retirement Systems and Pension Plans (Continued)**

**Plan Description:** (Continued)

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

**Annual Financial Report** - The System issues a comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Public School Employees' Retirement System, P.O. Box 125, Harrisburg, PA 17108-0123.

**Funding Policy:**

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

**Contribution Rates** - Members contribute from 5.25 to 7.50 percent of their qualifying, depending on when their employment began.

Contributions required of employers are based upon an actuarial valuation. For the fiscal year ended June 30, 2014, the rate of employer contribution was 16.93 percent of covered payroll.

**NOTE 12 - Other Post-Employment Benefits**

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

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

**Funding Policy**

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, 2014 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.

**LOWER MERION SCHOOL DISTRICT**  
Notes to Financial Statements  
June 30, 2014

NOTE 12 - Other Post-Employment Benefits (Continued)

Funding Progress

As of February 1, 2012, the date of the most recent actuarial report, the actuarial accrued liability for benefits was \$8,920,298, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$93,679,636 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 9.52%.

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

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	13 years
Salary Increases	4.25-7% per year

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

**LOWER MERION SCHOOL DISTRICT**  
Notes to Financial Statements  
June 30, 2014

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

**Annual OPEB Cost and NET OPEB Obligations: (Continued)**

	<u>2014</u>
Annual OPEB Cost:	
Normal Cost	\$ 530,554
Amortization of Unfunded Actuarial Accrued Liability	921,242
Interest on Net OPEB Obligation	151,439
Adjustment to ARC	<u>(347,552)</u>
 ANNUAL OPEB COST	 <u>\$ 1,255,683</u>
 Net OPEB Obligation:	
Normal OPEB Obligation year beginning July 1	\$ 3,365,304
OPEB Cost for the year ended June 30	1,255,683
Contributions	<u>(736,582)</u>
 NET OPEB OBLIGATION	 <u>\$ 3,884,405</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed, and the net OPEB obligation for the year ended June 30, 2014 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2012	\$ 1,348,432	49.01%	\$ 2,814,004
June 30, 2013	1,287,809	57.19%	3,365,304
June 30, 2014	1,255,683	58.66%	3,884,405

**LOWER MERION SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2014**

**NOTE 13 - Fund Balances - General Fund**

Nonspendable:

Prepaid Expenses	\$ 336,199
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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>20,121,794</u>
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TOTAL FUND BALANCES - GENERAL FUND		<u><u>\$ 56,257,993</u></u>
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**NOTE 14 - Prior Period Adjustment**

Net position as of June 30, 2013 has been restated as a result of the District's adoption of Government Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The statement required the unamortized balance of debt issuance costs from prior years to be expensed in the year incurred. The effect of the restatement was to reduce net position as of July 1, 2013 by \$2,019,672.

**NOTE 15 - Subsequent Events**

The District has evaluated subsequent events through December 12, 2014, which represents the date the financial statements were available to be issued.

**LOWER MERION SCHOOL DISTRICT**  
Required Supplementary Information  
Budgetary Comparison Schedule  
General Fund  
For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Revenues:</b>				
Local Revenues	\$ 187,077,954	\$ 187,077,954	\$ 189,795,481	\$ 2,717,527
State Program Revenues	25,234,318	25,234,318	25,957,352	723,034
Federal Program Revenues	750,600	750,600	944,510	193,910
<b>TOTAL REVENUES</b>	<u>213,062,872</u>	<u>213,062,872</u>	<u>216,697,343</u>	<u>3,634,471</u>
<b>Expenditures:</b>				
Regular Programs	81,724,618	82,699,618	82,672,238	27,380
Special Programs	37,809,656	37,609,656	35,495,209	2,114,447
Vocational Programs	350,000	350,000	267,942	82,058
Other Instructional Programs	1,123,190	1,125,190	670,178	455,012
Pupil Personnel Services	8,008,755	8,283,755	7,643,281	640,474
Instructional Staff Services	6,014,413	6,149,413	5,601,964	547,449
Administrative Services	11,443,825	11,778,825	11,467,673	311,152
Pupil Health	3,360,360	3,360,360	3,055,068	305,292
Business Services	1,277,897	1,277,897	1,125,407	152,490
Operation and Maintenance of Plant Services	17,880,316	18,190,316	16,791,998	1,398,318
Student Transportation Services	12,648,061	12,581,061	11,283,016	1,298,045
Central and Other Support Services	5,277,992	5,702,992	5,482,861	220,131
Student Activities	5,149,848	5,149,848	4,239,472	910,376
Community Services	170,000	230,000	172,316	57,684
Debt Service	28,346,575	26,096,575	24,622,789	1,473,786
<b>TOTAL EXPENDITURES</b>	<u>220,585,506</u>	<u>220,585,506</u>	<u>210,591,412</u>	<u>9,994,094</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(7,522,634)</u>	<u>(7,522,634)</u>	<u>6,105,931</u>	<u>13,628,565</u>
<b>Other Financing Uses:</b>				
Budgetary Reserve	(800,000)	(800,000)	0	800,000
Refunds of Prior Years Revenues	0	0	(63,059)	(63,059)
Interfund Transfers Out	(248,836)	(248,836)	(6,025,000)	(5,776,164)
<b>TOTAL OTHER FINANCING USES</b>	<u>(1,048,836)</u>	<u>(1,048,836)</u>	<u>(6,088,059)</u>	<u>(5,039,223)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(8,571,470)</u>	<u>(8,571,470)</u>	<u>17,872</u>	<u>8,589,342</u>
Fund Balance - July 1, 2013	<u>55,315,434</u>	<u>55,315,434</u>	<u>56,240,121</u>	<u>924,687</u>
<b>FUND BALANCE - JUNE 30, 2014</b>	<u>\$ 46,743,964</u>	<u>\$ 46,743,964</u>	<u>\$ 56,257,993</u>	<u>\$ 9,514,029</u>

**LOWER MERION SCHOOL DISTRICT**  
**Schedule of Post Employment Benefit Obligation Funding Progress**  
**(Unaudited)**  
**For the Year Ended June 30, 2014**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
February 1, 2008	\$ 0	\$ 7,450,541	\$ 7,450,541	0%	\$ 79,635,563	9.36%
February 1, 2010	0	8,953,608	8,953,608	0%	91,364,323	9.80%
February 1, 2012	0	8,920,298	8,920,298	0%	93,679,636	9.52%